GALVESTON COUNTY, TEXAS

COMMISSIONERS COURT **722 Moody, County Courthouse, Galveston, TX 77550 (409) 766-2244**

Mark Henry	Patrick Doyle	Kevin O'Brien	Stephen Holmes	Ken Clark
County Judge	Commissioner, Precinct 1	Commissioner, Precinct 2	Commissioner, Precinct 3	Commissioner, Precinct 4

AGENDA
December 11, 2012 – 9:30 A.M.

CONSENT AGENDA: ALL ITEMS MARKED WITH A SINGLE ASTERISK (*) ARE PART OF THE CONSENT AGENDA AND REQUIRE NO DELIBERATION BY THE COMMISSIONERS COURT. ANY COMMISSIONERS COURT MEMBER MAY REMOVE AN ITEM FROM THIS AGENDA TO BE CONSIDERED SEPARATELY.

In accordance with the provisions of the Americans with Disabilities Act (ADA), persons in need of a special accommodation to participate in this proceeding shall, within three (3) days prior to any proceeding contact the County Judge's office at 722 Moody, Galveston, Texas 77550 (409) 766-2244.

REGULARLY SCHEDULED MEETING

Pledge of Allegiance and Invocation

*1. Submitted by the Auditor's Office:

a. Approval of Accounts Payable Checks dated 12/4/12 and 12/11/12.

b. Order for Payroll ending 12/05/12 Bi-weekly #25.

c. Order for Supplemental payroll period ending 12/05/12 Bi-weekly #25.

d. Condensed Condition of Funds Statement for period ending 8/31/12.

e. Audit FY 2012 Chapter 59 Asset Forfeiture Report for the Sheriff's Office for period of 10/1/11- 9/30/12.

*2. Receive and file *Summary of Bi-Weekly Personnel Movements pay period #24, November 8-21, 2012* submitted by Human Resources.

*3. Receive and file *Notice pursuant to H.B. 3059, Section 366.005 of Texas-New Mexico Power Company providing utility service to Galveston County.*

*4. Consideration of Execution of *a Resolution Acknowledging the Kemah Fire Department's receipt of the Department of State Health Services Statewide EMS First Responder Award* submitted by County Judge.

*5. Consideration of a *Resolution honoring Sheriff Freddie Poor* submitted by County

Legal.

*6. Receive and file *State of Texas – JP Morgan Chase – Procurement Card (P-Card) Rebate Check* submitted by the Purchasing Agent.

*7. Consideration of recommendation *to Opt out of the Health Insurance Portability and Accountability Act (HIPAA) and the P.H.S. Act* submitted by Human Resources.

*8. Receive and file *Resolution for 2013 Indigent Defense Formula Grant* submitted by the County Judge.

*9. Receive and file *Change Order No. 8 to the Cianbro/Brasfield & Gorrie II contract for the Galveston Causeway Railroad Bridge project* submitted by the County Engineer.

*10. Consideration of a *Resolution honoring Doryn Danner Glenn* submitted by County Legal.

*11. Receive and file *Application for tax abatement filed by Ashland, Inc. in the Community Services Division* submitted by the Director of Community Services.

*12. Receive and file *amended contract for Peninsula Emergency Medical Services, Inc. as approved on 10/16/2012 agenda* submitted by Community Services Director.

*13. Receive and file *CUC Amendment #5 Approved on 11/27/12 but amount was incorrect* submitted by Information Technology.

*14. Consideration of *authorizing County Judge to execute renewal contract between Galveston County, Galveston County Children's Services Board, and UTMB for to provide services for the Texas Department of Family and Protective Services* submitted by Director of Community Services.

*15. Consideration of *Approval to modify payment for Otis Elevator Contract No.:CM 07152 from monthly payments to annual payment (in full) of $33,567.34 in lieu of monthly payments to benefit from a 4% discount* submitted by Facilities.

*16. Consideration of *Approval of the following contracts* submitted by Information Technology:

a.	Net Data Professional Service SOW	Upgrade for IBM Server	$ 10,000.00
b.	SHI	Renewal for McAfee	$ 1,400.00
c.	Comcast	Connection for CareHere	$ 2,711.80
d.	Sungard	IFAS/One Solution Maint.	$103,123.13

*17. Receive and file *Acceptance of Official Bond and Oath of elected District Clerk* submitted by the County Clerk.

*18. Consideration of requests for *Tax Refunds in Excess of $2,500.00* submitted by the Tax Assessor/Collector:

Account Number	**Amount**	**Reason**
1511-0001-0046-000	$6,943.20	Supplemental Adjustment
2958-0002-0009-000	$2,804.94	Supplemental Adjustment
5862-0001-0021-000	$6,970.57	Supplemental Adjustment
6511-0000-0026-000	$2,700.03	Supplemental Adjustment
6670-0000-0100-000	$2,765.88	Supplemental Adjustment
7377-0000-0004-000	$3,770.09	Supplemental Adjustment
2996-0000-0613-000	$8,306.62	Over Payment
0088-0016-0000-000	$2,950.01	Supplemental Adjustment
4207-0000-0072-000	$23,978.42	Supplemental Adjustment

19. **Community Services**

a. Consideration of Amending the 2011-2013 Guidelines and Criteria Governing Tax Abatement Agreements by Galveston County, Texas.

b. Consideration of authorizing tax abatement for Ashland, Inc., at its facility at 4501 Attwater Avenue in the City of Texas City and authorizing the negotiation of a tax abatement agreement with Ashland, Inc.

20. **County Engineer**

a. Consideration of full and complete release and cancellation of Grand Cay subdivision bond no1014685 issued by Lexon Insurance Company on behalf of Principal Galveston Peninsula Partners LP.

b. Consideration of authorizing the County Purchasing Agent to advertise for bids for repair of Skyline Dr.

c. Consideration of a professional engineering services agreement with Dannenbaum Engineering Corporation to coordinate with TxDOT and conduct traffic counts on the FM 646 Pass Thru Toll Project.

d. Consideration of application from Michael L. Riley to convey a portions of Tracts 5 and 6, M. Schrier Tracts on Bolivar Peninsula by metes & bounds without revising the plat.

21. **County Judge**

a. Consideration of allowing county employees to receive a non-cash gift under

$50.00 as employee appreciation in the 2012 Christmas Party games and competitions.

22. **Break into Executive Session:**

(a) Executive Session: The Commissioners Court will enter into executive session as permitted under provisions of the Texas Opens Meeting Act ,Texas Government Code, Chapter 551. Subchapter 551.071- consultation with attorneys regarding settlement offers pertaining to claims of Kristy Slaten and minor family members.

23. **Reconvene Regularly Scheduled Meeting.**

24. **<u>County Legal</u>**

a. Consideration of Execution of an Interlocal Agreement with the City of Galveston relating to the reconstruction and transfer of maintenance of the 61st Street Boat Ramp located within Washington Park and to the transfer of maintenance and reconstruction of the remainder of Washington Park Located in the City of Galveston submitted by County Legal on behalf of the Parks Department.

b. Consideration of Authorizing County Legal to send notice of termination of the Fat Boys' Fishing Paradise Concession Agreement, making an offer to purchase their improvements and, should they decline the offer directing them to remove all improvements with the exception of the sewer line submitted by the Director of Parks and Senior Services and County Legal.

c. Consideration of settlement of claims by Kristy A. Slaten and minor family members, as result of automobile accident occurring on October 11, 2011.

d. Consideration of Execution of a Lease between the County of Galveston the Shearn Moody Plaza Corporation for the 1st and 5th Floor of the Shearn Moody Plaza Building.

e. Consideration of Execution of an Interlocal Agreement between the County of Galveston and the Texas Health and Human Services Corporation concerning the 1st and 5th Floor of the Shearn Moody Plaza Building.

f. Consideration of Execution of a Depository Pledge Contract and a Custodial Agreement for Pledged Securities with Prosperity Bank submitted by County Legal on behalf of the County Treasurer.

g. Consideration of Execution of a Lease with the Texas Senate for Senator Larry Taylor.

h. Consideration of Execution of a Lease with the Texas House of Representatives for Representative Greg Bonnen.

i. Consideration of Execution of a Lease with U.S. House of Representatives for Congressman Randy Weber.

25. **Human Resources**

a. Consideration of approving exemption to the 4 pay period mandatory vacancy policy for Deputy Constable (Psn #6)-Constable Pct. #3.

26. **Parks**

a. Consideration of consent to advertise a Request for Proposals to implement a conservation planning & implementation project on three county park properties in West Galveston.

27. **Professional Services**

a. Discussion of status and take any actions necessary related to CDBG Round 1 and Round 2.2 Non-housing Infrastructure Projects submitted by CDBG Project Coordinator.

b. Consideration of the acceptance of the Help America Vote Act (HAVA) grant award from the Secretary of State's office in the amount of $24,500 as submitted by the Grants Manager.

c. Consideration of the acceptance of the Juvenile Mental Health Services Project grant award from the State Criminal Justice Planning Fund in the amount of $14,000 as submitted by the Grants Manager.

d. Consideration of the acceptance of the FY2012 State Homeland Security Program (SHSP) grant award from the Department of Public Safety in the amount of $57,952.00 as submitted by the Grants Manager.

28. **Purchasing**

a. Consideration of acceptance of 2008 Chevrolet Suburban Sport Utility Vehicle for the District Attorney submitted by the Purchasing Agent.

29. **Road & Bridge**

a. Consideration of Approval of an Interlocal Agreement between the County of Galveston and the City of Hitchcock for County Road & Bridge Department to perform road work on Pecanwood St. in Hitchcock.

30. **Tax Assessor and Collector**

a. Request for waiver of penalty and interest:

Name	**Account Number**	**Year**	**Amount**
David Kent	5864-0005-0004-000	2011	$3,135.53

Appearances before Commissioners Court

A speaker whose subject matter as submitted relates to an identifiable item of business on this agenda will be requested by the County Judge or other presiding court members to come to the podium where they will be limited to three minutes (3). A speaker whose subject matter as submitted does not relate to an identifiable item of business on this agenda will be limited to three minutes (3) and will be allowed to speak before the meeting is adjourned. Please arrive prior to the meeting and sign in with the County Clerk.

***

AGENDA ITEM #1

THE COUNTY OF GALVESTON

COUNTY AUDITOR'S OFFICE
P O Box 1418
GALVESTON, TEXAS 77553

Cliff Billingsley, CPA
County Auditor

Ron Chapa, CPA
First Assistant, Director of Auditing

Jeff Modzelewski, CPA
First Assistant Director of Accounting

First Assistant, I T Systems
LaToya Jordan

Honorable Judge Mark Henry
And Members of the Commissioners' Court
Galveston County Courthouse
Galveston, Texas

December 11, 2012

I hand you the following items for action at the meeting of Commissioners' Court

- Approval of Accounts Payable Checks dated 12/4/12 and 12/11/12
- Order for Payroll period ending 12/05/12 Bi-weekly #25
- Order for Supplemental payroll period ending 12/05/12 Bi-weekly #25
- Condensed Condition of Funds Statement for period ending 8/31/12
- Audit FY 2012 Chapter 59 Asset Forfeiture Report for the Sheriff's Office for period of 10/1/11 - 9/30/12

Cliff Billingsley
County Auditor

AGENDA
ITEM
#1a

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount

FUND: 1101 General Fund

Warrant #: VW 00000514 **Payee Name: GALVESTON NEWSPAPERS INC**

Invoice Number	Account Info	Description	Amount
300784422	1101151800 - 5493101	Purchasing Agent - Legal Advertising	707 08
		Warrant Total:	**707.08**

Warrant #: VW 00362229 **Payee Name: ABL MANAGEMENT INC**

Invoice Number	Account Info	Description	Amount
19011032012	1101211133 - 5481200	Sheriff-Corrections - Jail Food Service Contract	18,646 52
19011042012	1101211133 - 5481200	Sheriff-Corrections - Jail Food Service Contract	18,672 31
		Warrant Total:	**37,318.83**

Warrant #· VW 00362230 **Payee Name: ABM JANITORIAL SERVICES - SOUTH CENTRAL**

Invoice Number	Account Info	Description	Amount
4559612	1101170100 - 5412094	Facilities Srvs & Maintenance - CareHere Clinic Expenditu	1,120 67
		Warrant Total:	**1,120.67**

Warrant #: VW 00362231 **Payee Name: ACTION PERSONNEL INC**

Invoice Number	Account Info	Description	Amount
101902	1101155000 - 5481000	Human Resources - Contract Service	214 50
102014	1101155000 - 5481000	Human Resources - Contract Service	660 00
102120	1101155000 - 5481000	Human Resources - Contract Service	528 00
102552	1101522020 - 5481000	Parks Department - Contract Service	771 60
		Warrant Total:	**2,174.10**

Warrant #: VW 00362234 **Payee Name: ALERT ALARM BURG AND FIRE PROT INC**

Invoice Number	Account Info	Description	Amount
708935	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	175 00
709068	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	75 00
709070	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	150 00
709075	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	150 00
		Warrant Total:	**550.00**

Warrant #: VW 00362236 **Payee Name: ALFRED CONHAGEN INC OF TEXAS**

Invoice Number	Account Info	Description	Amount
74059	1101170100 - 5424000	Facilities Srvs & Maintenance - Maint & Repairs Buildings	935 00
		Warrant Total:	**935.00**

Warrant #: VW 00362237 **Payee Name: ALVIN EQUIPMENT CO INC**

Invoice Number	Account Info	Description	Amount
IV55547	1101522020 - 5423000	Parks Department - Maint/Repairs Equipment	55 86
		Warrant Total:	**55.86**

Warrant #: VW 00362241 **Payee Name: BAY AREA HOUSTON ECONOMIC PARTNERSHIP**

Invoice Number	Account Info	Description	Amount
23288	1101440100 - 5503010	Community Services - Industrial Comm	40,000 00
		Warrant Total:	**40,000.00**

Warrant #: VW 00362242 **Payee Name: BAY OIL CO CORP**

Invoice Number	Account Info	Description	Amount
224151	1101172111 - 5322010	Fleet Mgmt-Galveston - Auto Fuel Expense	2,853 38
		Warrant Total·	**2,853.38**

Warrant #. VW 00362243 **Payee Name: BC WEST LLC**

Invoice Number	Account Info	Description	Amount
58134	1101291010 - 5494100	Emergency Management - Printing	562 31
		Warrant Total:	**562.31**

Warrant #: VW 00362244 **Payee Name: BEIRNE MAYNARD & PARSONS LLP**

Invoice Number	Account Info	Description	Amount
242762	1101110000 - 5481000	General Government - Contract Service	2,038 72

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount
		Warrant Total:	**2,038.72**
Warrant #: VW 00362245		**Payee Name: BETA TECHNOLOGY INC**	
575673	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	658 76
575674CM	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	-358 00
		Warrant Total:	**300.76**
Warrant #: VW 00362247		**Payee Name: BOB J JOHNSON & ASSOCIATES**	
268534	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	382 05
		Warrant Total	**382.05**
Warrant #: VW 00362248		**Payee Name: BOILER SPECIALISTS SALES & SERVICE L.P.**	
10191	1101170100 - 5424000	Facilities Srvs & Maintenance - Maint & Repairs Buildings	2,728 50
		Warrant Total:	**2,728.50**
Warrant #: VW 00362250		**Payee Name: BOSWORTH PAPERS INC**	
1349274	1101159100 - 5310000	Information Technology - Supplies and Materials	188 00
		Warrant Total:	**188.00**
Warrant #: VW 00362251		**Payee Name: BURKE ASSET PARTNERSHIP LTD**	
50498	1101151500 - 5481000	Tax Assessor Collector - Contract Service	13,245 62
50800	1101151500 - 5481000	Tax Assessor Collector - Contract Service	150 00
		Warrant Total:	**13,395.62**
Warrant #: VW 00362253		**Payee Name: CDW GOVERNMENT INC**	
T005868	1101159100 - 5310001	Information Technology - Depart Supplies-Non Cap FFE	8,968 70
		Warrant Total:	**8,968.70**
Warrant #: VW 00362254		**Payee Name: CENTER FOR SCIENCE IN THE PUBLIC**	
HMGG3111	1101610200 - 5310000	County Extension - Supplies and Materials	19 00
		Warrant Total:	**19.00**
Warrant #: VW 00362256		**Payee Name: CHILDRENS CENTER INC, THE**	
GCSOP103112	1101440100 - 5449101	Community Services - Childrens Counseling Serv	3,333 33
		Warrant Total:	**3,333.33**
Warrant #: VW 00362257		**Payee Name: CITY OF GALVESTON**	
S0017929 121312	1101172111 - 5322010	Fleet Mgmt-Galveston - Auto Fuel Expense	18,464 00
		Warrant Total:	**18,464.00**
Warrant #: VW 00362258		**Payee Name: CLASSIC AUTOPLEX F-T LLC**	
74765	1101172111 - 5423110	Fleet Mgmt-Galveston - Auto Maintenance	613 57
74861	1101172111 - 5423110	Fleet Mgmt-Galveston - Auto Maintenance	1,144 70
76025	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	717 98
76051	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	48 67
76074	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	43 49
		Warrant Total.	**2,568.41**
Warrant #: VW 00362259		**Payee Name: CLASSIC AUTOPLEX F-T LLC**	
74058	1101172111 - 5423110	Fleet Mgmt-Galveston - Auto Maintenance	196 24
74751	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	296 50
75776	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	785 98

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount
75898	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	692 76
75934	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	1,001 19
75935	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	55 08
75978	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	590 84
76018	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	43 49
76036	1101172111 - 5423110	Fleet Mgmt-Galveston - Auto Maintenance	85 29
		Warrant Total:	**3,747.37**

Warrant #: VW 00362262 **Payee Name: COBURN SUPPLY COMPANY INC**

315391863	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	402 60
315413258	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	337 80
315420381	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	49 68
315421343	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	116 46
		Warrant Total:	**906.54**

Warrant #: VW 00362264 **Payee Name: COMMONWEALTH TITLE OF HOUSTON**

878607	1101000010 - 4414012	General Government - County Clerk Refund of Fees	40 00
886098	1101000010 - 4414012	General Government - County Clerk Refund of Fees	8 00
		Warrant Total:	**48.00**

Warrant #: VW 00362265 **Payee Name: COMPETITIVE CHOICE, INC.**

12437	1101522020 - 5310000	Parks Department - Supplies and Materials	1,111 58
		Warrant Total:	**1,111.58**

Warrant #: VW 00362266 **Payee Name. CONNLEY, ADDIE**

ELECTION HELP	1101151500 - 5481000	Tax Assessor Collector - Contract Service	275 22
		Warrant Total:	**275.22**

Warrant #: VW 00362267 **Payee Name. COUNTY LINE POWERSPORTS CORP**

406464	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	41 48
		Warrant Total:	**41.48**

Warrant #: VW 00362269 **Payee Name: CURRY, KELLY**

NOV 1 2012 TRVL	1101291010 - 5496301	Emergency Management - Auto Mileage	36 30
		Warrant Total:	**36.30**

Warrant #: VW 00362272 **Payee Name: DARLING INTERNATIONAL INC**

5002249006	1101170100 - 5424000	Facilities Srvs & Maintenance - Maint & Repairs Buildings	-5 67
5002260716	1101170100 - 5424000	Facilities Srvs & Maintenance - Maint & Repairs Buildings	10 41
		Warrant Total:	**4.74**

Warrant #: VW 00362273 **Payee Name: DECKER DISPOSAL INC**

50101	1101110000 - 5429301	General Government - Nuisance Abatement	5,525 00
		Warrant Total:	**5,525.00**

Warrant #: VW 00362275 **Payee Name: DISCOUNT UNIFORMS INTERNATIONAL**

0037155	1101223300 - 5312101	Constable Pct #3 - Rose - Uniform Expense	106 97
		Warrant Total:	**106.97**

Warrant #: VW 00362276 **Payee Name: DOLPHIN CHEMICAL & SUPPLY COMPANY LLC**

10442	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	169 50
		Warrant Total:	**169 50**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount
Warrant #: VW 00362277		**Payee Name: E.A. "TREY" APFFELL, III P.C.**	
20127735CC	1101000010 - 4414012	General Government - County Clerk Refund of Fees	8 00
		Warrant Total:	**8.00**
Warrant #: VW 00362278		**Payee Name: ELITE SOUND & SECURITY INC**	
38021	1101211160 - 5310000	Training-Sheriff's Department - Supplies and Materials	390 00
		Warrant Total:	**390.00**
Warrant #: VW 00362279		**Payee Name: EMERGENCY MANAGEMENT SERVICES**	
2012177	1101291010 - 5310000	Emergency Management - Supplies and Materials	195 00
		Warrant Total:	**195.00**
Warrant #: VW 00362280		**Payee Name: EMMONS, WINIFRED**	
880901	1101000010 - 4414012	General Government - County Clerk Refund of Fees	18 00
		Warrant Total:	**18.00**
Warrant #: VW 00362281		**Payee Name: ENTERPRISE HOLDINGS INC**	
RA#126349277	1101211150 - 5310000	Warrants-Sheriff's Department - Supplies and Materials	72 17
RA#920910922	1101211150 - 5310000	Warrants-Sheriff's Department - Supplies and Materials	48 08
		Warrant Total:	**120.25**
Warrant #: VW 00362282		**Payee Name: FEDEX CORP**	
208245266	1101153000 - 5310000	Legal Department - Supplies and Materials	25 93
		Warrant Total:	**25.93**
Warrant #: VW 00362283		**Payee Name: FIRST COMMUNITY BANK N.A.**	
873901	1101000010 - 4414012	General Government - County Clerk Refund of Fees	8 00
		Warrant Total:	**8.00**
Warrant #: VW 00362284		**Payee Name: FULTON FRIEDMAN & GULLACE LLP**	
20128039	1101000010 - 4414012	General Government - County Clerk Refund of Fees	5 00
		Warrant Total.	**5.00**
Warrant #: VW 00362285		**Payee Name: G & K SERVICES**	
1030228265	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	13 36
1030229492	1101522020 - 5426106	Parks Department - Uniform Leasing	15 45
1030229500	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	13 67
1030229586	1101522020 - 5426106	Parks Department - Uniform Leasing	42 98
1030230604	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	10 50
1030232995	1101522020 - 5426106	Parks Department - Uniform Leasing	61 84
1030910665	1101522020 - 5426106	Parks Department - Uniform Leasing	-3 72
1030910667	1101522020 - 5426106	Parks Department - Uniform Leasing	-13 96
1030910668	1101451110 - 5426106	Senior Citizens - Uniform Leasing	-199 87
		Warrant Total:	**-59.75**
Warrant #: VW 00362286		**Payee Name: GALLS INC**	
BC0004149	1101211133 - 5310000	Sheriff-Corrections - Supplies and Materials	155 10
		Warrant Total:	**155.10**
Warrant #: VW 00362287		**Payee Name: GALVESTON COUNTY SHERIFF'S DEPT**	
110912	1101211132 - 5496153	M H M R -Sheriff - In-State Transport	27 12
PATIENT TRANSPOR	1101211132 - 5496153	M H M R -Sheriff - In-State Transport	81 72

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount
		Warrant Total:	**108.84**
Warrant #: VW 00362288	**Payee Name: GALVESTON FLOORING CO INC**		
CG204839	1101170100 - 5424000	Facilities Srvs & Maintenance - Maint & Repairs Buildings	3,514 10
		Warrant Total:	**3,514.10**
Warrant #: VW 00362290	**Payee Name: GULF COAST CENTER**		
GCCGC1013	1101440100 - 5448050	Community Services - Contract Services-MHMR	35,500 00
		Warrant Total:	**35,500.00**
Warrant #: VW 00362291	**Payee Name: GULF COAST COMPLETE MARINE SERVICE INC**		
3786	1101211143 - 5423104	Patrol Division - Maint/Repairs Boat	251 08
		Warrant Total:	**251.08**
Warrant #: VW 00362293	**Payee Name: HENRY, MARK**		
08/29-31/12 TRVL	1101111000 - 5496100	County Judge - Travel and Education	176 00
08/29-31/12 TRVL	1101111000 - 5496201	County Judge - Auto Allowance	222 62
NOV 2012 TRVL	1101111000 - 5499231	County Judge - Meeting Expense	285 83
		Warrant Total:	**684.45**
Warrant #: VW 00362294	**Payee Name: HIRSCH PHD, VICTOR**		
16364	1101155000 - 5412110	Human Resources - Pre-Employment Physicals	100 00
16505	1101155000 - 5412110	Human Resources - Pre-Employment Physicals	100 00
		Warrant Total:	**200.00**
Warrant #: VW 00362295	**Payee Name: HOFFMAN, DAN G.**		
20123462CC	1101000010 - 4414012	General Government - County Clerk Refund of Fees	5 00
		Warrant Total:	**5.00**
Warrant #: VW 00362296	**Payee Name: HOLCOMBE, WILLIAM**		
2013 MEMBERSHIP	1101610200 - 5498000	County Extension - Membership And Dues	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362298	**Payee Name: HULL & ASSOCIATES P.C.**		
20128097CC	1101000010 - 4414012	General Government - County Clerk Refund of Fees	5 00
		Warrant Total:	**5.00**
Warrant #. VW 00362299	**Payee Name: ISLAND BAY RESORT**		
7400JONESDR 1125	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	125 00
		Warrant Total:	**125.00**
Warrant #: VW 00362300	**Payee Name: KASSBOHRER ALL TERRAIN VEHICLES INC**		
90080793	1101544042 - 5423000	Beach Maintenance-Rd & Bridge - Maint/Repairs Equipment	5 95
90080797	1101544042 - 5423000	Beach Maintenance-Rd & Bridge - Maint/Repairs Equipment	21 00
90080798	1101544042 - 5423000	Beach Maintenance-Rd & Bridge - Maint/Repairs Equipment	21 70
		Warrant Total:	**48.65**
Warrant #. VW 00362301	**Payee Name. KLEEN JANITORIAL SUPPLY COMPANY**		
2384	1101123600 - 5310000	Justice Court Pct #8-1(prv #6) - Supplies and Materials	43 50
2424	1101211133 - 5310000	Sheriff-Corrections - Supplies and Materials	1,470 68
		Warrant Total:	**1,514.18**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount
Warrant #: VW 00362302		**Payee Name: LAW OFFICE OF RAMZEY ZEIN-ELDIN**	
20124875CC	1101000010 - 4414012	General Government - County Clerk Refund of Fees	5 00
		Warrant Total:	**5.00**
Warrant #: VW 00362303		**Payee Name: LCR-M LIMITED PARTNERSHIP**	
1968512	1101522020 - 5424000	Parks Department - Maint & Repairs Buildings	90 72
1968561	1101522020 - 5424000	Parks Department - Maint & Repairs Buildings	190 27
1988698	1101522020 - 5424000	Parks Department - Maint & Repairs Buildings	243 84
1988787	1101522020 - 5424000	Parks Department - Maint & Repairs Buildings	28 80
		Warrant Total:	**553.63**
Warrant #: VW 00362304		**Payee Name: LEOPOLOS, TRAVIS**	
2012 MLG	1101151300 - 5496301	County Auditor - Auto Mileage	72 32
		Warrant Total:	**72.32**
Warrant #: VW 00362305		**Payee Name: LEWIS, ROXANN**	
0687	1101111000 - 5499231	County Judge - Meeting Expense	20 85
		Warrant Total:	**20.85**
Warrant #: VW 00362306		**Payee Name: LIGGIOS TIRE AND SERVICE CENTER INC**	
186625	1101172111 - 5423110	Fleet Mgmt-Galveston - Auto Maintenance	981 71
187757	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	457 67
187758	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	13 00
187769	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	28 00
187770	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	28 00
187826	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	31 25
187875	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	36 10
187951	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	368 10
187969	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	28 00
187970	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	873 28
187975	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	28 00
187981	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	700 49
187995	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	139 91
188005	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	214 36
188020	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	184 75
188023	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	31 25
188032	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	85 00
188033	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	85 00
188034	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	85 00
188035	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	31 25
188064	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	367 92
188065	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	46 00
188088	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	752 44
188091	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	1,012 52
188149	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	41 32
188181	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	85 00
188197	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	85 00
		Warrant Total:	**6,820.32**
Warrant #. VW 00362307		**Payee Name: LINEBARGER GOGGAN BLAIR & SAMPSON LLP**	
OCT 2012	1101000000 - 2291011	General Fund - Due to Collection Agency	5,476 00
		Warrant Total:	**5,476.00**

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Invoice Number	Account Info		Amount
Warrant #: VW 00362309	**Payee Name: MCKENZIE, MARION**		
OCT 2012 MLG	1101443100 - 5496301	Indigent Care & Medication - Auto Mileage	298 59
		Warrant Total:	**298.59**
Warrant #: VW 00362312	**Payee Name: MONTY NICHOLS INC**		
37872	1101190100 - 5310000	County Engineer - Supplies and Materials	155 68
		Warrant Total:	**155.68**
Warrant #. VW 00362313	**Payee Name: MOODY NATIONAL BANK**		
OCT 2012	1101151500 - 5481000	Tax Assessor Collector - Contract Service	163 60
		Warrant Total:	**163.60**
Warrant #: VW 00362314	**Payee Name: MORRISON, MARTHA A.**		
ELECTION HELP	1101151500 - 5481000	Tax Assessor Collector - Contract Service	201 04
		Warrant Total:	**201.04**
Warrant #: VW 00362315	**Payee Name: MOTOROLA SOLUTIONS INC**		
91139733	1101211133 - 5423000	Sheriff-Corrections - Maint/Repairs Equipment	1,106 00
		Warrant Total:	**1,106.00**
Warrant #: VW 00362317	**Payee Name: NRG ENERGY INC**		
700456544	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	130 00
702518408	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	104 36
704059922	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	43 78
74966460	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	169 50
81155095	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	150 00
		Warrant Total:	**597.64**
Warrant #: VW 00362318	**Payee Name: OFFICE DEPOT INC**		
633668742001	1101121000 - 5310000	Justice Administration - Supplies and Materials	188 30
		Warrant Total:	**188.30**
Warrant #: VW 00362319	**Payee Name: OKLAHOMA CORRECTIONAL INDUSTRIES**		
45207	1101291010 - 5494100	Emergency Management - Printing	475 25
		Warrant Total:	**475.25**
Warrant #: VW 00362320	**Payee Name: OWEN ELECTRIC SUPPLY**		
3975454373	1101522020 - 5424000	Parks Department - Maint & Repairs Buildings	318 00
3975454513	1101522020 - 5424000	Parks Department - Maint & Repairs Buildings	138 00
		Warrant Total:	**456.00**
Warrant #: VW 00362321	**Payee Name: OZARKA NATURAL SPRING WATER**		
02K0123007437	1101291010 - 5310000	Emergency Management - Supplies and Materials	27 84
		Warrant Total:	**27.84**
Warrant #: VW 00362322	**Payee Name: PENINSULA SANITATION SERVICE INC**		
49438	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	75 00
		Warrant Total:	**75.00**
Warrant #: VW 00362323	**Payee Name: PERSONAL PROTECTION INC**		
REGISTRATION FEE	1101211133 - 5496100	Sheriff-Corrections - Travel and Education	1,860 00

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Invoice Number	Account Info		Amount
		Warrant Total:	**1,860.00**
Warrant #: VW 00362325	**Payee Name: PESTMASTER SERVICES INC**		
11937	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	75 00
11954	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	125 50
11958	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	175 25
11959	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	34 71
11960	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	39 83
11961	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	55 19
11962	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	39 83
11963	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	50 07
11964	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	175 25
11965	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	110 39
11966	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	39 83
11967	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	39 83
11968	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	75 11
11969	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	30 16
11983	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	55 19
11984	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	34 71
11992	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	165 00
11995	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	39 83
11996	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	175 25
12005	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	75 00
12011	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	44 95
12012	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	39 83
12013	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	34 71
12024	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	839 84
12032	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	59 75
12041	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	165 01
12045	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	235 00
12047	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	200 29
12048	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	195 17
12052	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	34 71
12063	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	44 95
12064	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	64 87
12065	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	34 71
12066	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	250 36
12067	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	85 00
		Warrant Total:	**3,940.08**
Warrant #: VW 00362326	**Payee Name: PIERCE, ERIC**		
882444	1101000010 - 4414012	General Government - County Clerk Refund of Fees	7 00
		Warrant Total:	**7.00**
Warrant #: VW 00362330	**Payee Name: SAFETY KLEEN CORP**		
59083040	1101522020 - 5310000	Parks Department - Supplies and Materials	274 50
		Warrant Total:	**274.50**
Warrant #: VW 00362332	**Payee Name: SANTA FE AUTO PARTS INC**		
110424	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	85 34
		Warrant Total:	**85.34**
Warrant #: VW 00362333	**Payee Name: SANTA FE SENIOR CITIZENS COUNCIL**		

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Invoice Number	Account Info		Amount
NOVEMBER 2012	1101451110 - 5503021	Senior Citizens - Food Cost Title III Supplemt	500 00
		Warrant Total:	**500.00**

Warrant #: VW 00362334 **Payee Name: SCANLAN JR, JAMES E**

OCT 25 2012	1101122300 - 5431302	Probate Court - Sullivan - Fees & Expenses Relief Judges	397 34
		Warrant Total:	**397.34**

Warrant #: VW 00362336 **Payee Name: SHERWIN WILLIAMS PAINT CORP**

40457	1101522020 - 5424000	Parks Department - Maint & Repairs Buildings	25 37
		Warrant Total:	**25.37**

Warrant #: VW 00362338 **Payee Name: SOUTHERN COMPUTER WAREHOUSE**

IN000057251	1101159100 - 5310001	Information Technology - Depart Supplies-Non Cap FFE	4,749 32
IN000057333	1101159100 - 5310001	Information Technology - Depart Supplies-Non Cap FFE	44 18
IN000058083	1101159100 - 5310001	Information Technology - Depart Supplies-Non Cap FFE	2,502 60
		Warrant Total:	**7,296.10**

Warrant #: VW 00362342 **Payee Name: STERLING RN, DEBRA**

110112 NURSE	1101127100 - 5481000	District Attorney - Contract Service	280 00
		Warrant Total:	**280.00**

Warrant #: VW 00362343 **Payee Name· STEVE'S WAREHOUSE TIRES**

1216	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	15 00
		Warrant Total:	**15.00**

Warrant #: VW 00362344 **Payee Name: SULLIVAN, KIMBERLY A**

0210123056533	1101122300 - 5310000	Probate Court - Sullivan - Supplies and Materials	56 44
		Warrant Total:	**56.44**

Warrant #: VW 00362353 **Payee Name. TEXAS STATE UNIVERSITY SAN MARCOS**

JUDGES CLERK SCH	1101123500 - 5495100	Justice Court Pct #5 - Education	400 00
		Warrant Total:	**400.00**

Warrant #. VW 00362354 **Payee Name: TRAVIS COUNTY**

10/1/11-09/30/12	1101122300 - 5431111	Probate Court - Sullivan - Statutory Probate Court Exp	1,813 55
		Warrant Total·	**1,813.55**

Warrant #: VW 00362355 **Payee Name. UNIFICARE LTD**

200408737	1101211133 - 5481000	Sheriff-Corrections - Contract Service	13,924 68
		Warrant Total:	**13,924.68**

Warrant #. VW 00362356 **Payee Name: UNITED PARCEL SERVICE**

0000135W56462	1101159100 - 5481000	Information Technology - Contract Service	35 08
		Warrant Total:	**35.08**

Warrant #: VW 00362357 **Payee Name· UNITED STATES POSTAL SERVICE**

17253 101112	1101114000 - 5310000	County Clerk - Supplies and Materials	1,060 00
		Warrant Total:	**1,060.00**

Warrant #: VW 00362358 **Payee Name: WALMART**

08609	1101610200 - 5310000	County Extension - Supplies and Materials	30 18

Invoice Number	Account Info		Amount
		Warrant Total:	**30.18**
Warrant #: VW 00362359		**Payee Name: WASTE MANAGEMENT INC**	
166761617918	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	5,016 59
491978017912	1101522020 - 5421400	Parks Department - Refuse Disposal	166 90
491978117910	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	96 01
491978217918	1101522020 - 5421400	Parks Department - Refuse Disposal	140 27
491978317916	1101522020 - 5421400	Parks Department - Refuse Disposal	306 67
491978417914	1101522020 - 5421400	Parks Department - Refuse Disposal	163 57
491978517911	1101522020 - 5421400	Parks Department - Refuse Disposal	96 46
491978617919	1101522020 - 5421400	Parks Department - Refuse Disposal	105 58
491978717917	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	69 21
491978817915	1101522020 - 5421400	Parks Department - Refuse Disposal	16 34
491979017911	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	110 45
491979117919	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	1,230 48
491979217917	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	1,078 75
491979317915	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	684 01
491979417913	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	185 48
		Warrant Total:	**9,466.77**
Warrant #: VW 00362360		**Payee Name: WEST PUBLISHING CORPORATION**	
825974919	1101126100 - 5317000	District Clerk - Books & Periodicals	68 00
		Warrant Total:	**68.00**
Warrant #: VW 00362361		**Payee Name: WHITLEY PENN LLP**	
171838	1101110000 - 5414200	General Government - Prof Serv Audit Fees	7,000 00
173709	1101110000 - 5414200	General Government - Prof Serv Audit Fees	2,000 00
		Warrant Total:	**9,000.00**
Warrant #: VW 00362363		**Payee Name: YOUSENDIT INC**	
86987	1101159100 - 5750000	Information Technology - Capital Outlay-Technology	37,260 00
		Warrant Total:	**37,260.00**
		FUND 1101 TOTAL:	**298,047.34**

FUND: 2102 Co Clerk Rec Mgt & Pres Fund

Warrant #: VW 00362339		**Payee Name: SOUTHWEST FILING & STORAGE**	
14215A	2102114020 - 5311202	County Clerk Records Mangement - Microfilm Supplies	1,055 00
14215B	2102114020 - 5311202	County Clerk Records Mangement - Microfilm Supplies	913 00
		Warrant Total:	**1,968.00**
Warrant #: VW 00362351		**Payee Name: TEXAS DEPARTMENT OF CRIMINAL JUSTICE**	
B184100	2102114020 - 5310001	County Clerk Records Mangement - Depart Supplies-Non Cap	585 00
		Warrant Total:	**585.00**
		FUND 2102 TOTAL:	**2,553.00**

FUND: 2131 DA Seized Funds Afte Aft 10/89

Warrant #: VW 00362335 **Payee Name: SHELLEY SANDLER INC**

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Invoice Number	Account Info		Amount
1631	2131127132 - 5481000	DA Seized Funds Afte Aft 10/89 - Contract Service	1,999 50
		Warrant Total:	**1,999.50**

Warrant #: VW 00362348 **Payee Name: TELFAH, LINDA**

11/79/12 TRVL	2131127132 - 5495112	DA Seized Funds Afte Aft 10/89 - Training	284 10
		Warrant Total:	**284.10**
		FUND 2131 TOTAL:	**2,283.60**

FUND: 2220 Adult Probation Fund

Warrant #: VW 00362240 **Payee Name: BAILEY JR, ELMER E.**

NOV 7-8 2012	2220255101 - 5495112	Adult Probation - Training	900 00
		Warrant Total:	**900.00**

Warrant #: VW 00362263 **Payee Name: COLE PH.D., COLLIER M**

OCT 2012	2220255101 - 5481000	Adult Probation - Contract Service	400 00
		Warrant Total.	**400.00**
		FUND 2220 TOTAL:	**1,300.00**

FUND: 2230 Juvenile Justice Fund

Warrant #: VW 00362229 **Payee Name: ABL MANAGEMENT INC**

195902	2230256118 - 5481199	Detention - Food Service Contract	2,143 50
195902	2230256119 - 5481199	Post Program - Food Service Contract	882 55
195902	2230256155 - 5481199	Juv Justice Alt Ed Program - Food Service Contract	97 04
195903	2230256118 - 5481199	Detention - Food Service Contract	1,963 78
195903	2230256119 - 5481199	Post Program - Food Service Contract	836 10
195903	2230256155 - 5481199	Juv Justice Alt Ed Program - Food Service Contract	2 77
195903 2	2230256118 - 5314301	Detention - Kitchen Supplies	100 40
		Warrant Total:	**6,026.14**

Warrant #: VW 00362239 **Payee Name: AMERICAN RED CROSS**

10174137	2230256105 - 5496100	Juv Justice - Administration - Travel and Education	27 00
		Warrant Total:	**27.00**

Warrant #: VW 00362246 **Payee Name: BOB BARKER CO INC**

WEB000246449	2230256118 - 5313100	Detention - Cleaning & Household Supplies	128 78
WEB000246449	2230256118 - 5314501	Detention - Linen Expense	197 88
WEB000246467	2230256118 - 5312100	Detention - Clothing Expense	186 01
		Warrant Total:	**512 67**

Warrant #: VW 00362301 **Payee Name: KLEEN JANITORIAL SUPPLY COMPANY**

2422	2230256118 - 5313100	Detention - Cleaning & Household Supplies	908 05
		Warrant Total:	**908.05**

Warrant #: VW 00362328 **Payee Name: RUSCELLI, VINCENT**

NOV 16 2012	2230256105 - 5412114	Juv Justice - Administration - Psychological Evaluations/	200 00
NOV 20 2012	2230256105 - 5412114	Juv Justice - Administration - Psychological Evaluations/	200 00

Invoice Number	Account Info		Amount
		Warrant Total:	**400.00**
		FUND 2230 TOTAL:	**7,873.86**

FUND: 2260 Emergency Management Fund

Warrant #: VW 00362260 **Payee Name: COASTAL STRATEGIES GROUP**

28	2260291046 - 5481000	Coastal Feasibility Study - Contract Service	2,000 00
29	2260291046 - 5481000	Coastal Feasibility Study - Contract Service	972 47
30	2260291046 - 5481000	Coastal Feasibility Study - Contract Service	3,792 51
		Warrant Total:	**6,764.98**
		FUND 2260 TOTAL:	**6,764.98**

FUND: 2301 Road & Bridge Fund

Warrant #· VW 00000515 **Payee Name: KEYWORTHS HARDWARE INC**

000168480	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	17 99
000168743	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	2 98
000168818	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	15 56
000169311	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	2 68
		Warrant Total:	**39.21**

Warrant #: VW 00362235 **Payee Name: ALEX AIR CONDITIONING INC**

158611	2301312110 - 5424000	Administration - Maint & Repairs Buildings	241 64
		Warrant Total:	**241.64**

Warrant #· VW 00362238 **Payee Name. ALWAYS SAFETY AND 1ST AID INC**

30136	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	867 70
		Warrant Total:	**867.70**

Warrant #: VW 00362242 **Payee Name: BAY OIL CO CORP**

224330	2301312120 - 5322010	FM & Lateral Road - Auto Fuel Expense	12,250 32
		Warrant Total:	**12,250.32**

Warrant #· VW 00362255 **Payee Name. CHERRY CRUSHED CONCRETE INC**

1029532	2301312120 - 5353014	FM & Lateral Road - Materials Flexible Base	4,162 40
		Warrant Total:	**4,162.40**

Warrant #: VW 00362285 **Payee Name: G & K SERVICES**

1030229494	2301312120 - 5426106	FM & Lateral Road - Uniform Leasing	36 78
1030230663	2301312120 - 5426106	FM & Lateral Road - Uniform Leasing	176 18
		Warrant Total:	**212.96**

Warrant #· VW 00362306 **Payee Name: LIGGIOS TIRE AND SERVICE CENTER INC**

188174	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	14 50
		Warrant Total:	**14.50**

Warrant #: VW 00362310 **Payee Name: MCREE FORD INC**

375173	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	64 00
375182	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	394 76

Invoice Number	Account Info	Amount
375207	2301312120 - 5423000 FM & Lateral Road - Maint/Repairs Equipment	153 94
375532	2301312120 - 5423000 FM & Lateral Road - Maint/Repairs Equipment	347 46
	Warrant Total:	**960.16**

Warrant #: VW 00362316 Payee Name: MUNICIPAL SIGNS INC

0012938	2301312120 - 5319222 FM & Lateral Road - Materials Traffic Signs	202 13
	Warrant Total:	**202.13**

Warrant #: VW 00362322 Payee Name: PENINSULA SANITATION SERVICE INC

49479	2301312120 - 5421411 FM & Lateral Road - Garbage/Landfill Services	75 00
	Warrant Total:	**75.00**

Warrant #: VW 00362327 Payee Name· PROLINE MATERIALS INC

5190	2301312120 - 5353015 FM & Lateral Road - Materials Asphalt Surface	5,758 53
	Warrant Total:	**5,758.53**

Warrant #: VW 00362332 Payee Name: SANTA FE AUTO PARTS INC

110922	2301312120 - 5423000 FM & Lateral Road - Maint/Repairs Equipment	29 97
	Warrant Total:	**29.97**

Warrant #: VW 00362337 Payee Name: SNIDER TIRE INC

4625372	2301312120 - 5423000 FM & Lateral Road - Maint/Repairs Equipment	1,410 96
	Warrant Total:	**1,410.96**

Warrant #: VW 00362349 Payee Name: TENNILLE INC

66881	2301312120 - 5423000 FM & Lateral Road - Maint/Repairs Equipment	330 00
	Warrant Total:	**330.00**

Warrant #: VW 00362359 Payee Name: WASTE MANAGEMENT INC

491978917913	2301312110 - 5481000 Administration - Contract Service	164 38
	Warrant Total:	**164.38**

FUND 2301 TOTAL: 26,719.86

FUND: 2370 Flood Control Fund

Warrant #: VW 00000515 Payee Name: KEYWORTHS HARDWARE INC

000170573	2370296121 - 5310000 Seawall Maintenance - Supplies and Materials	39 99
	Warrant Total:	**39.99**

Warrant #: VW 00362268 Payee Name: CRESCENT ENGINEERING COMPANY INC

L3747	2370296121 - 5481000 Seawall Maintenance - Contract Service	391 91
	Warrant Total:	**391.91**

Warrant #: VW 00362297 Payee Name: HUITT-ZOLLARS INC

212870104	2370190100 - 5734013 County Engineer - FEMA Certification	75,864 65
	Warrant Total·	**75,864.65**

Warrant #: VW 00362320 Payee Name: OWEN ELECTRIC SUPPLY

3975454093	2370296121 - 5481000 Seawall Maintenance - Contract Service	23 97
	Warrant Total:	**23.97**

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List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount
Warrant #: VW 00362362		**Payee Name: WW GRAINGER INC**	
9003799260	2370296121 - 5310000	Seawall Maintenance - Supplies and Materials	218 97
		Warrant Total:	**218.97**
		FUND 2370 TOTAL:	**76,539.49**

FUND: 2410 Mosquito Control District Fund

Invoice Number	Account Info		Amount
Warrant #: VW 00000515		**Payee Name: KEYWORTHS HARDWARE INC**	
000168888	2410411100 - 5424000	Mosquito Control District - Maint & Repairs Buildings	36 56
000170504	2410411100 - 5424000	Mosquito Control District - Maint & Repairs Buildings	10 75
		Warrant Total:	**47.31**
Warrant #: VW 00362308		**Payee Name: MATHESON TRI-GAS INC**	
05852030	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	380 11
		Warrant Total:	**380.11**
Warrant #: VW 00362331		**Payee Name: SAM'S CLUB DIRECT**	
STACK CHAIR	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	199 90
		Warrant Total:	**199.90**
Warrant #: VW 00362346		**Payee Name: TASCO AUTO COLOR #23**	
3059	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	209 90
		Warrant Total:	**209.90**
Warrant #: VW 00362347		**Payee Name: TDATA INC**	
RBY333213	2410411100 - 5423101	Mosquito Control District - Maint/Repairs Aircraft	604 95
		Warrant Total:	**604.95**
Warrant #: VW 00362350		**Payee Name: TEXAS DEPARTMENT OF AGRICULTURE**	
LIC FEES	2410411100 - 5496100	Mosquito Control District - Travel and Education	6 00
		Warrant Total:	**6.00**
Warrant #: VW 00362358		**Payee Name. WALMART**	
04953	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	88 05
08094	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	95 48
09613	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	215 90
		Warrant Total.	**399.43**
		FUND 2410 TOTAL:	**1,847.60**

FUND: 2420 Indigent Health Care Fund

Invoice Number	Account Info		Amount
Warrant #: VW 00362249		**Payee Name: BOON CHAPMAN BENEFIT ADMINISTRATORS**	
OCT 2012	2420440110 - 5481022	Indigent Health Care Fund - Indigent Health Care Srv	16,180 67
		Warrant Total:	**16,180.67**
		FUND 2420 TOTAL:	**16,180.67**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info	Amount
FUND: 2501 Child Welfare Fund		
Warrant #: VW 00362274	**Payee Name: DEPARTMENT OF FAMILY AND PROTECTIVE**	
JUL-SEPT 2012	2501443300 - 5431112 Child Welfare - Court Laison	11,936 47
	Warrant Total:	**11,936.47**
	FUND 2501 TOTAL:	**11,936.47**
FUND: 2602 Beach Maintenance-Rd & Bridge		
Warrant #: VW 00362237	**Payee Name: ALVIN EQUIPMENT CO INC**	
IV55501	2602544042 - 5423000 Beach Maintenance-Rd & Bridge - Maint/Repairs Equipment	151 30
	Warrant Total:	**151.30**
Warrant #: VW 00362270	**Payee Name: DANESI'S OUTDOOR SERVICES**	
104	2602544042 - 5481000 Beach Maintenance-Rd & Bridge - Contract Service	984 00
105	2602544042 - 5481000 Beach Maintenance-Rd & Bridge - Contract Service	984 00
	Warrant Total:	**1,968.00**
Warrant #: VW 00362322	**Payee Name: PENINSULA SANITATION SERVICE INC**	
49480	2602544042 - 5421400 Beach Maintenance-Rd & Bridge - Refuse Disposal	85 00
	Warrant Total:	**85.00**
	FUND 2602 TOTAL:	**2,204.30**
FUND: 2824 Adult Probation Community		
Warrant #: VW 00362232	**Payee Name: ADULT PSYCHIATRIC CLINIC**	
OCT 2012	2824255137 - 5481000 Sex Offender Supervision - Contract Service	2,320 00
	Warrant Total:	**2,320.00**
Warrant #: VW 00362263	**Payee Name: COLE PH.D., COLLIER M**	
OCT 2012	2824255137 - 5481000 Sex Offender Supervision - Contract Service	4,225 00
	Warrant Total:	**4,225.00**
Warrant #. VW 00362289	**Payee Name: GRANGER, ROSSLYN N**	
OCTOBER 2012	2824255137 - 5481000 Sex Offender Supervision - Contract Service	360 00
	Warrant Total:	**360.00**
	FUND 2824 TOTAL:	**6,905.00**
FUND: 2914 CDBG Housing Program		
Warrant #· VW 00362340	**Payee Name: SPRINT SPECTRUM LP**	
384104405037	2914152500 - 5481000 Housing - Contract Service	120 38
	Warrant Total:	**120.38**
	FUND 2914 TOTAL:	**120.38**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount

FUND: 2915 CDBG Infrastructure Program

Warrant #: VW 00362252 **Payee Name: C.F. MCDONALD ELECTRIC INC**

1 081712	2915000000 - 2070001	CDBG Infrastructure Program - Contract Payable Retainage	-5,366 90
1 081712	2915291012 - 5741601	Generators - High Island School Gen Switch	24,469 00
1 081712	2915291012 - 5741602	Generators - Crenshaw School Gen Switch	82,869 00
		Warrant Total:	**101,971.10**

FUND 2915 TOTAL: 101,971.10

FUND: 2994 Disaster Recovery - Ike

Warrant #: VW 00362261 **Payee Name: COBB FENDLEY & ASSOCIATES**

238523	2994299761 - 5481000	Ft Travis Roadway/Walkway - Contract Service	4,920 75
238788	2994299761 - 5481000	Ft Travis Roadway/Walkway - Contract Service	3,759 80
		Warrant Total:	**8,680.55**

Warrant #: VW 00362341 **Payee Name: STEFFEY, MICHAEL**

2012100112	2994299522 - 5481000	Galv Courthouse Annex - Contract Service	6,000 00
		Warrant Total:	**6,000.00**

Warrant #: VW 00362345 **Payee Name: SWCA INC**

15191	2994299761 - 5481000	Ft Travis Roadway/Walkway - Contract Service	472 46
15868	2994299761 - 5481000	Ft Travis Roadway/Walkway - Contract Service	218 10
		Warrant Total:	**690.56**

FUND 2994 TOTAL: 15,371.11

FUND: 3312 Unltd Tax Road Bonds Sr 2009

Warrant #: VW 00362233 **Payee Name: AECOM TECHNICAL SERVICES INC**

2	3312312112 - 5731141	County Road - Hughes Rd	1,532 18
		Warrant Total:	**1,532.18**

Warrant #: VW 00362271 **Payee Name: DANNENBAUM ENGINEERING CORP**

4697010511	3312312111 - 5731608	Non-County Roads - Calder Road Improvement Proj	97,452 80
		Warrant Total:	**97,452.80**

Warrant #: VW 00362292 **Payee Name: HALFF ASSOCIATES**

H167571	3312312111 - 5731132	Non-County Roads - Stewart Rd-75th to Cove View	8,896 27
		Warrant Total:	**8,896.27**

FUND 3312 TOTAL: 107,881.25

FUND: 3315 Galv Causeway RR Bridge Proj

Warrant #: VW 00362311 **Payee Name: MODJESKI AND MASTERS INC**

216125	3315313200 - 5722903	Causeway Railroad Bridge Prj - Owners Contingency	25,000 00
		Warrant Total:	**25,000.00**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Invoice Number	Account Info		Amount
		FUND 3315 TOTAL:	**25,000.00**

FUND: 6130 Self Insurance Reserve Fund

Warrant #: VW 00362329 **Payee Name: RUST EWING WATT & HANEY INC**

Invoice Number	Account Info		Amount
4343	6130151431 - 5491700	General Self Insurance - Insurance Public Officials	2,266 00
AUG 14 2012	6130151431 - 5491701	General Self Insurance - Insurance Emp Blanket Bonds	123 00
		Warrant Total:	**2,389.00**
		FUND 6130 TOTAL:	**2,389.00**

FUND: 7605 Escrow Fund

Warrant #: VW 00362352 **Payee Name: TEXAS PARKS AND WILDLIFE DEPT**

Invoice Number	Account Info		Amount
OCT 2012	7605000000 - 2476007	Escrow Fund - Tx Parks & Wildlife Fines 85%	720 25
		Warrant Total:	**720.25**
		FUND 7605 TOTAL:	**720.25**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Summary of All Funds

Fund	Amount
1101 General Fund	298,047 34
2102 Co Clerk Rec Mgt & Pres Fund	2,553 00
2131 DA Seized Funds Afte Aft 10/89	2,283 60
2220 Adult Probation Fund	1,300 00
2230 Juvenile Justice Fund	7,873 86
2260 Emergency Management Fund	6,764 98
2301 Road & Bridge Fund	26,719 86
2370 Flood Control Fund	76,539 49
2410 Mosquito Control District Fund	1,847 60
2420 Indigent Health Care Fund	16,180 67
2501 Child Welfare Fund	11,936 47
2602 Beach Maintenance-Rd & Bridge	2,204 30
2824 Adult Probation Community	6,905 00
2914 CDBG Housing Program	120 38
2915 CDBG Infrastructure Program	101,971 10
2994 Disaster Recovery - Ike	15,371 11
3312 Unltd Tax Road Bonds Sr 2009	107,881 25
3315 Galv Causeway RR Bridge Proj	25,000 00
6130 Self Insurance Reserve Fund	2,389 00
7605 Escrow Fund	720 25
Grand Total:	**714,609.26**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/04/2012

Approved Order to pay by Commissioners Court this day December 11 2012

Cliff Billingsley, County Auditor

Mark A. Henry, Galveston County Judge

absent

Patrick Doyle, Galveston County Commissioner, Pct 1

Kevin D. O`Brien, Galveston County Commissioner, Pct 2

abstained

Stephen D. Holmes, Galveston County Commissioner, Pct 3

Kenneth Clark, Galveston County Commissioner, Pct 4

ATTEST:

Dwight D. Sullivan, County Clerk

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362229	702471	ABL MANAGEMENT INC	12/04/12	43,344 97	MW	OH		
A200362230	713428	ABM JANITORIAL SERVICES - SOU	12/04/12	1,120 67	MW	OH		
A200362231	400871	ACTION PERSONNEL INC	12/04/12	2,174 10	MW	OH		
A200362232	432263	ADULT PSYCHIATRIC CLINIC	12/04/12	2 320 00	MW	OH		
A200362233	701156	AECOM TECHNICAL SERVICES INC	12/04/12	1,532 18	MW	OH		
A200362234	013524	ALERT ALARM BURG AND FIRE PRO	12/04/12	550 00	MW	OH		
A200362235	017939	ALEX AIR CONDITIONING INC	12/04/12	241 64	MW	OH		
A200362236	402325	ALFRED CONHAGEN INC OF TEXAS	12/04/12	935 00	MW	OH		
A200362237	013177	ALVIN EQUIPMENT CO INC	12/04/12	207 16	MW	OH		
A200362238	707451	ALWAYS SAFETY AND 1ST AID INC	12/04/12	867 70	MW	OH		
A200362239	407370	AMERICAN RED CROSS	12/04/12	27 00	MW	OH		
A200362240	714685	BAILEY JR, ELMER E	12/04/12	900 00	MW	OH	B7	
A200362241	033217	BAY AREA HOUSTON ECONOMIC PAR	12/04/12	40,000 00	MW	OH		
A200362242	021360	BAY OIL CO CORP	12/04/12	15,103 70	MW	OH		
A200362243	708318	BC WEST LLC	12/04/12	562 31	MW	OH		
A200362244	713772	BEIRNE MAYNARD & PARSONS LLP	12/04/12	2,038 72	MW	OH		
A200362245	406081	BETA TECHNOLOGY INC	12/04/12	300 76	MW	OH		
A200362246	021303	BOB BARKER CO INC	12/04/12	512 67	MW	OH		
A200362247	712882	BOB J JOHNSON & ASSOCIATES	12/04/12	382 05	MW	OH		
A200362248	712331	BOILER SPECIALISTS SALES & SE	12/04/12	2 728 50	MW	OH		
A200362249	709220	BOON CHAPMAN BENEFIT ADMINIST	12/04/12	16,180 67	MW	OH		
A200362250	401759	BOSWORTH PAPERS INC	12/04/12	188 00	MW	OH		
A200362251	707209	BURKE ASSET PARTNERSHIP LTD	12/04/12	13,395 62	MW	OH		
A200362252	710005	C F MCDONALD ELECTRIC INC	12/04/12	101,971 10	MW	OH		
A200362253	701478	CDW GOVERNMENT INC	12/04/12	8 968 70	MW	OH		
A200362254	706170	CENTER FOR SCIENCE IN THE PUB	12/04/12	19 00	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362255	410729	CHERRY CRUSHED CONCRETE INC	12/04/12	4,162 40	MW	OH		
A200362256	032326	CHILDRENS CENTER INC, THE	12/04/12	3 333 33	MW	OH		
A200362257	033985	CITY OF GALVESTON	12/04/12	18,464 00	MW	OH		
A200362258	714708	CLASSIC AUTOPLEX F-T LLC	12/04/12	2,568 41	MW	OH		
A200362259	714708	CLASSIC AUTOPLEX F-T LLC	12/04/12	3,747 37	MW	OH		
A200362260	714315	COASTAL STRATEGIES GROUP	12/04/12	6,764 98	MW	OH		
A200362261	707069	COBB FENDLEY & ASSOCIATES	12/04/12	8,680 55	MW	OH		
A200362262	709399	COBURN SUPPLY COMPANY INC	12/04/12	906 54	MW	OH		
A200362263	034124	COLE PH D , COLLIER M	12/04/12	4,625 00	MW	OH		
A200362264	713167	COMMONWEALTH TITLE OF HOUSTON	12/04/12	48 00	MW	OH		
A200362265	714684	COMPETITIVE CHOICE, INC	12/04/12	1,111 58	MW	OH		
A200362266	715058	CONNLEY, ADDIE	12/04/12	275 22	MW	OH		
A200362267	711741	COUNTY LINE POWERSPORTS CORP	12/04/12	41 48	MW	OH		
A200362268	709896	CRESCENT ENGINEERING COMPANY	12/04/12	391 91	MW	OH		
A200362269	714854	CURRY, KELLY	12/04/12	36 30	MW	OH		
A200362270	713994	DANESI'S OUTDOOR SERVICES	12/04/12	1,968 00	MW	OH		
A200362271	400693	DANNENBAUM ENGINEERING CORP	12/04/12	97,452 80	MW	OH		
A200362272	701394	DARLING INTERNATIONAL INC	12/04/12	4 74	MW	OH		
A200362273	714519	DECKER DISPOSAL INC	12/04/12	5,525 00	MW	OH		
A200362274	403137	DEPARTMENT OF FAMILY AND PROT	12/04/12	11,936 47	MW	OH		
A200362275	700075	DISCOUNT UNIFORMS INTERNATION	12/04/12	106 97	MW	OH		
A200362276	706718	DOLPHIN CHEMICAL & SUPPLY COM	12/04/12	169 50	MW	OH		
A200362277	714954	E A "TREY" APFFELL, III P C	12/04/12	8 00	MW	OH		
A200362278	709085	ELITE SOUND & SECURITY INC	12/04/12	390 00	MW	OH		
A200362279	715019	EMERGENCY MANAGEMENT SERVICES	12/04/12	195 00	MW	OH		
A200362280	714951	EMMONS, WINIFRED	12/04/12	18 00	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362281	713128	ENTERPRISE HOLDINGS INC	12/04/12	120 25	MW	OH		
A200362282	062067	FEDEX CORP	12/04/12	25 93	MW	OH		
A200362283	714955	FIRST COMMUNITY BANK N A	12/04/12	8 00	MW	OH		
A200362284	713971	FULTON FRIEDMAN & GULLACE LLP	12/04/12	5 00	MW	OH		
A200362285	704625	G & K SERVICES	12/04/12	153 21	MW	OH		
A200362286	076018	GALLS INC	12/04/12	155 10	MW	OH		
A200362287	406195	GALVESTON COUNTY SHERIFF'S DE	12/04/12	108 84	MW	OH		
A200362288	076232	GALVESTON FLOORING CO INC	12/04/12	3 514 10	MW	OH		
A200362289	704961	GRANGER, ROSSLYN N	12/04/12	360 00	MW	OH		
A200362290	400782	GULF COAST CENTER	12/04/12	35 500 00	MW	OH		
A200362291	704506	GULF COAST COMPLETE MARINE SE	12/04/12	251 08	MW	OH		
A200362292	700466	HALFF ASSOCIATES	12/04/12	8,896 27	MW	OH		
A200362293	712993	HENRY, MARK	12/04/12	684 45	MW	OH		
A200362294	432358	HIRSCH PHD, VICTOR	12/04/12	200 00	MW	OH		
A200362295	712872	HOFFMAN, DAN G	12/04/12	5 00	MW	OH		
A200362296	707502	HOLCOMBE WILLIAM	12/04/12	100 00	MW	OH		
A200362297	709352	HUITT-ZOLLARS INC	12/04/12	75,864 65	MW	OH		
A200362298	711253	HULL & ASSOCIATES P C	12/04/12	5 00	MW	OH		
A200362299	713488	ISLAND BAY RESORT	12/04/12	125 00	MW	OH	RE	
A200362300	705333	KASSBOHRER ALL TERRAIN VEHICL	12/04/12	48 65	MW	OH		
A200362301	402386	KLEEN JANITORIAL SUPPLY COMPA	12/04/12	2,422 23	MW	OH		
A200362302	707808	LAW OFFICE OF RAMZEY ZEIN-ELD	12/04/12	5 00	MW	OH		
A200362303	706067	LCR-M LIMITED PARTNERSHIP	12/04/12	553 63	MW	OH		
A200362304	712137	LEOPOLOS TRAVIS	12/04/12	72 32	MW	OH		
A200362305	713344	LEWIS, ROXANN	12/04/12	20 85	MW	OH		
A200362306	123026	LIGGIOS TIRE AND SERVICE CENT	12/04/12	6,834 82	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362307	707090	LINEBARGER GOGGAN BLAIR & SAM	12/04/12	5,476 00	MW	OH		
A200362308	407317	MATHESON TRI-GAS INC	12/04/12	380 11	MW	OH		
A200362309	714747	MCKENZIE, MARION	12/04/12	298 59	MW	OH		
A200362310	131029	MCREE FORD INC	12/04/12	960 16	MW	OH		
A200362311	707294	MODJESKI AND MASTERS INC	12/04/12	25,000 00	MW	OH		
A200362312	708832	MONTY NICHOLS INC	12/04/12	155 68	MW	OH		
A200362313	401421	MOODY NATIONAL BANK	12/04/12	163 60	MW	OH		
A200362314	715057	MORRISON, MARTHA A	12/04/12	201 04	MW	OH		
A200362315	134056	MOTOROLA SOLUTIONS INC	12/04/12	1,106 00	MW	OH		
A200362316	193151	MUNICIPAL SIGNS INC	12/04/12	202 13	MW	OH		
A200362317	711213	NRG ENERGY INC	12/04/12	597 64	MW	OH		
A200362318	152033	OFFICE DEPOT INC	12/04/12	188 30	MW	OH		
A200362319	714946	OKLAHOMA CORRECTIONAL INDUSTR	12/04/12	475 25	MW	OH		
A200362320	400105	OWEN ELECTRIC SUPPLY	12/04/12	479 97	MW	OH		
A200362321	155036	OZARKA NATURAL SPRING WATER	12/04/12	27 84	MW	OH		
A200362322	705136	PENINSULA SANITATION SERVICE	12/04/12	235 00	MW	OH		
A200362323	714583	PERSONAL PROTECTION INC	12/04/12	1,860 00	MW	OH		
A200362324	VOID CONTINU	Void - Continued Stub	12/04/12	0 00	VM	OH		Void
A200362325	709286	PESTMASTER SERVICES INC	12/04/12	3,940 08	MW	OH		
A200362326	714952	PIERCE, ERIC	12/04/12	7 00	MW	OH		
A200362327	706618	PROLINE MATERIALS INC	12/04/12	5 758 53	MW	OH		
A200362328	410635	RUSCELLI, VINCENT	12/04/12	400 00	MW	OH		
A200362329	185017	RUST EWING WATT & HANEY INC	12/04/12	2,389 00	MW	OH		
A200362330	401775	SAFETY KLEEN CORP	12/04/12	274 50	MW	OH		
A200362331	405145	SAM'S CLUB DIRECT	12/04/12	199 90	MW	OH		
A200362332	191023	SANTA FE AUTO PARTS INC	12/04/12	115 31	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362333	700001	SANTA FE SENIOR CITIZENS COUN	12/04/12	500 00	MW	OH		
A200362334	700995	SCANLAN JR, JAMES E	12/04/12	397 34	MW	OH		
A200362335	714944	SHELLEY SANDLER INC	12/04/12	1,999 50	MW	OH		
A200362336	400542	SHERWIN WILLIAMS PAINT CORP	12/04/12	25 37	MW	OH		
A200362337	709133	SNIDER TIRE INC	12/04/12	1,410 96	MW	OH		
A200362338	701326	SOUTHERN COMPUTER WAREHOUSE	12/04/12	7,296 10	MW	OH		
A200362339	702149	SOUTHWEST FILING & STORAGE	12/04/12	1,968 00	MW	OH		
A200362340	707542	SPRINT SPECTRUM LP	12/04/12	120 38	MW	OH		
A200362341	712009	STEFFEY, MICHAEL	12/04/12	6 000 00	MW	OH		
A200362342	715022	STERLING RN, DEBRA	12/04/12	280 00	MW	OH		
A200362343	409104	STEVE'S WAREHOUSE TIRES	12/04/12	15 00	MW	OH		
A200362344	702386	SULLIVAN, KIMBERLY A	12/04/12	56 44	MW	OH		
A200362345	712238	SWCA INC	12/04/12	690 56	MW	OH		
A200362346	714939	TASCO AUTO COLOR #23	12/04/12	209 90	MW	OH		
A200362347	703834	TDATA INC	12/04/12	604 95	MW	OH		
A200362348	709801	TELFAH, LINDA	12/04/12	284 10	MW	OH		
A200362349	202804	TENNILLE INC	12/04/12	330 00	MW	OH		
A200362350	701185	TEXAS DEPARTMENT OF AGRICULTU	12/04/12	6 00	MW	OH		
A200362351	408901	TEXAS DEPARTMENT OF CRIMINAL	12/04/12	585 00	MW	OH		
A200362352	202267	TEXAS PARKS AND WILDLIFE DEPT	12/04/12	720 25	MW	OH		
A200362353	406578	TEXAS STATE UNIVERSITY SAN MA	12/04/12	400 00	MW	OH		
A200362354	700925	TRAVIS COUNTY	12/04/12	1,813 55	MW	OH		
A200362355	705175	UNIFICARE LTD	12/04/12	13,924 68	MW	OH		
A200362356	701538	UNITED PARCEL SERVICE	12/04/12	35 08	MW	OH		
A200362357	409463	UNITED STATES POSTAL SERVICE	12/04/12	1,060 00	MW	OH		
A200362358	231209	WALMART	12/04/12	429 61	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362359	402963	WASTE MANAGEMENT INC	12/04/12	9,631 15	MW	OH		
A200362360	701533	WEST PUBLISHING CORPORATION	12/04/12	68 00	MW	OH		
A200362361	714674	WHITLEY PENN LLP	12/04/12	9,000 00	MW	OH		
A200362362	401705	WW GRAINGER INC	12/04/12	218 97	MW	OH		
A200362363	714769	YOUSENDIT INC	12/04/12	37,260 00	MW	OH		

S U B T O T A L S

Total Void Machine Written	0 00	Number of Checks Processed	1
Total Void Hand Written	0 00	Number of Checks Processed	0
Total Machine Written	713,775 67	Number of Checks Processed	134
Total Hand Written	0 00	Number of Checks Processed	0
Total Reversals	0 00	Number of Checks Processed	0
Total Cancelled	0 00	Number of Checks Processed	0
S U B T O T A L	713,775 67		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
F600000514	071118	GALVESTON NEWSPAPERS INC	12/04/12	707 08	CX	OH		
F600000515	403006	KEYWORTHS HARDWARE INC	12/04/12	126 51	CX	OH		

S U B T O T A L S

Total Void Machine Written	0 00	Number of Checks Processed	0
Total Void Hand Written	0 00	Number of Checks Processed	0
Total Machine Written	0 00	Number of Checks Processed	0
Total Hand Written	0 00	Number of Checks Processed	0
Total Reversals	0 00	Number of Checks Processed	0
Total Cancelled	833 59	Number of Checks Processed	2
S U B T O T A L	833 59		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
		G R A N D T O T A L S						
		Total Void Machine Written		0 00	Number of Checks Processed			1
		Total Void Hand Written		0 00	Number of Checks Processed			0
		Total Machine Written		713,775 67	Number of Checks Processed			134
		Total Hand Written		0 00	Number of Checks Processed			0
		Total Reversals		0 00	Number of Checks Processed			0
		Total Cancelled		833 59	Number of Checks Processed			2
		G R A N D T O T A L		714,609 26				

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
FUND: 1101 General Fund			
Warrant #. VW 00000516		**Payee Name: GALVESTON NEWSPAPERS INC**	
13105364 113012	1101110000 - 5493102	General Government - Advertising Costs-Sheriff Sale	23,230 00
		Warrant Total:	**23,230.00**
Warrant #: VW 00000517		**Payee Name: KEYWORTHS HARDWARE INC**	
000131809	1101610200 - 5310000	County Extension - Supplies and Materials	8 36
000135195	1101610200 - 5310000	County Extension - Supplies and Materials	111 77
000135955	1101610200 - 5310000	County Extension - Supplies and Materials	90 61
000145319 070212	1101610200 - 5310000	County Extension - Supplies and Materials	25 47
000159785	1101610200 - 5310000	County Extension - Supplies and Materials	85 25
000160470	1101610200 - 5310000	County Extension - Supplies and Materials	53 72
000165444	1101610200 - 5310000	County Extension - Supplies and Materials	93 49
		Warrant Total:	**468.67**
Warrant #: VW 00362364		**Payee Name: ABL MANAGEMENT INC**	
19012012012	1101211133 - 5481200	Sheriff-Corrections - Jail Food Service Contract	18,602 06
		Warrant Total:	**18,602.06**
Warrant #: VW 00362365		**Payee Name: ABRAHAMS, NIDUS**	
3409 AVE K	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	125 00
		Warrant Total:	**125.00**
Warrant #: VW 00362367		**Payee Name: ALPHA CORP**	
196215	1101159100 - 5746010	Information Technology - Capitalized Furn,Fix,& Equip	17,275 00
		Warrant Total:	**17,275.00**
Warrant #. VW 00362369		**Payee Name: AMERIWASTE OF TEXAS LLC**	
63735	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	167 59
		Warrant Total:	**167.59**
Warrant #: VW 00362371		**Payee Name: ARMET, JAMES**	
2403 BOSS ST 5	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362372		**Payee Name: ARREDONDO, LINDSAY**	
08CR1752 112112	1101121000 - 5431121	Justice Administration - Court Reporter Expense	126 64
		Warrant Total:	**126.64**
Warrant #: VW 00362373		**Payee Name: ARRIAGA, MIRNA**	
SVS ELECT DEPT	1101114030 - 5481000	Election Expense - Contract Service	249 20
		Warrant Total:	**249.20**
Warrant #: VW 00362374		**Payee Name: ASHTON PARK APT**	
2602 21ST N 1103	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362378		**Payee Name: BACLIFF MUNICIPAL UTILITY DISTRICT**	
10104121 112712	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	88 18
10104330 112712	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	37 94

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
		Warrant Total:	**126.12**
Warrant #: VW 00362379	**Payee Name: BAKER, ETHAN**		
PR73704 102212	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	300 00
		Warrant Total:	**300.00**
Warrant #: VW 00362380	**Payee Name: BARNETT, STEPHANIE B**		
11CR3528 113012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	3,016 00
		Warrant Total:	**3,016.00**
Warrant #: VW 00362381	**Payee Name: BAY OIL CO CORP**		
226206	1101172111 - 5322010	Fleet Mgmt-Galveston - Auto Fuel Expense	5,124 80
226483	1101172111 - 5322010	Fleet Mgmt-Galveston - Auto Fuel Expense	5,285 91
		Warrant Total:	**10,410.71**
Warrant #: VW 00362382	**Payee Name: BENNETT, JAMES M**		
11CR3183 112712	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	325 00
12CR0465 111412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	4,856 00
12CR2266 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	260 00
327245 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
PR73713 110912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	318 75
		Warrant Total:	**5,824.75**
Warrant #: VW 00362385	**Payee Name: BFI WASTE SERVICES OF TEXAS LP**		
0855000567810	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	79 87
0855000567987	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	68 49
0855000568899	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	223 22
		Warrant Total:	**371.58**
Warrant #: VW 00362387	**Payee Name: BOB J JOHNSON & ASSOCIATES**		
NOV 13 2012	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	1,490 00
		Warrant Total:	**1,490.00**
Warrant #: VW 00362388	**Payee Name: BOLIVAR PENINSULA SPECIAL UTILITY**		
10002205 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	289 44
10002875 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	395 47
10003863 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	104 52
10004583 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	148 49
10005389 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	415 57
		Warrant Total:	**1,353.49**
Warrant #: VW 00362389	**Payee Name: BOORSTEIN, BARRY**		
328064 120612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	1,755 00
MD0328157 112012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	243 75
		Warrant Total:	**1,998.75**
Warrant #: VW 00362390	**Payee Name: BRIGGS, LYNETTE**		
12CR0075 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	1,553 50
12CR2183 120612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	344 50
12CR2447 111612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	221 00
12JV0230 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	325 00
327148 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	91 80

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Invoice Number	Account Info		Amount
		Warrant Total:	**2,535.80**
Warrant #: VW 00362393		**Payee Name: BROWN, ADAM BANKS**	
12CR08520 111612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	448 50
		Warrant Total:	**448.50**
Warrant #: VW 00362398		**Payee Name: CARELTON COURTYARD APTS**	
210 PSTOFFICE	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	125 00
873088949001	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	52 10
		Warrant Total:	**177.10**
Warrant #: VW 00362399		**Payee Name: CASTILLO, MARK A**	
10CR0196 112712	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	487 50
12CR0457 112012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	747 50
		Warrant Total:	**1,235 00**
Warrant #: VW 00362400		**Payee Name: CAVAZOS, LUIS A**	
610 FERRY RD 28	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	137 00
		Warrant Total:	**137.00**
Warrant #: VW 00362401		**Payee Name: CEDRICK L MUHAMMAD PC**	
11CR2831 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	4,793 75
12CR0095 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	308 75
12CR2221 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	520 00
		Warrant Total:	**5,622.50**
Warrant #: VW 00362402		**Payee Name: CENTERPOINT ENERGY**	
47167820 112712	1101170100 - 5421300	Facilities Srvs & Maintenance - Gas	16 04
47167838 112712	1101170100 - 5421300	Facilities Srvs & Maintenance - Gas	196 50
47543723 120412	1101170100 - 5421300	Facilities Srvs & Maintenance - Gas	145 87
47632666 112912	1101170100 - 5421300	Facilities Srvs & Maintenance - Gas	73 39
48091797 112612	1101170100 - 5421300	Facilities Srvs & Maintenance - Gas	192 30
48482202 113012	1101170100 - 5421300	Facilities Srvs & Maintenance - Gas	60 32
65081101	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	37 08
79365714	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	21 09
92071141 112912	1101170100 - 5421300	Facilities Srvs & Maintenance - Gas	20 51
		Warrant Total:	**763.10**
Warrant #: VW 00362403		**Payee Name: CHAIR TAI CHI**	
DSC21012	1101451110 - 5481000	Senior Citizens - Contract Service	120 00
LSC21012	1101451110 - 5481000	Senior Citizens - Contract Service	180 00
		Warrant Total:	**300.00**
Warrant #: VW 00362406		**Payee Name: CHILDRENS CENTER INC, THE**	
GCSOP113012	1101440100 - 5449101	Community Services - Childrens Counseling Serv	3,333 33
		Warrant Total:	**3,333.33**
Warrant #· VW 00362407		**Payee Name. CIRRO ENERGY**	
2932453 111912	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	120 93
		Warrant Total:	**120.93**
Warrant #: VW 00362408		**Payee Name CITY OF GALVESTON**	

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Invoice Number	Account Info	Amount
511460 111912	1101443100 - 5447200 Indigent Care & Medication - Emergency Assistance	125 00
	Warrant Total:	**125.00**
Warrant #: VW 00362411	**Payee Name: CITY OF LA MARQUE**	
110003415 120312	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	185 12
160010352 120312	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	47 55
160010853 120312	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	57 45
160010854 120312	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	87 10
	Warrant Total:	**377.22**
Warrant #: VW 00362412	**Payee Name: CITY OF LAMARQUE**	
0220019610008	1101443100 - 5447200 Indigent Care & Medication - Emergency Assistance	71 90
0260007600084	1101443100 - 5447200 Indigent Care & Medication - Emergency Assistance	47 10
	Warrant Total:	**119 00**
Warrant #: VW 00362413	**Payee Name: CITY OF TEXAS CITY**	
1960974052 1212	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	132 75
1961074053 1112	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	6 75
2182478663 1212	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	42 45
2801678663 11 30	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	222 33
2801778663 1112	1101170100 - 5421100 Facilities Srvs & Maintenance - Water	38 39
	Warrant Total:	**442.67**
Warrant #: VW 00362414	**Payee Name: CLARK, DIANE**	
325681 112712	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	195 00
	Warrant Total:	**195.00**
Warrant #: VW 00362415	**Payee Name: CLASSIC AUTOPLEX F-T LLC**	
75078	1101172111 - 5423110 Fleet Mgmt-Galveston - Auto Maintenance	943 58
76073	1101211101 - 5423110 Administration Sheriff Dept - Auto Maintenance	1,473 19
76094	1101211101 - 5423110 Administration Sheriff Dept - Auto Maintenance	341 48
76117	1101211101 - 5423110 Administration Sheriff Dept - Auto Maintenance	707 35
76126	1101172111 - 5423110 Fleet Mgmt-Galveston - Auto Maintenance	1,429 26
76137	1101211101 - 5423110 Administration Sheriff Dept - Auto Maintenance	764 27
76174	1101211101 - 5423110 Administration Sheriff Dept - Auto Maintenance	57 27
76175	1101211101 - 5423110 Administration Sheriff Dept - Auto Maintenance	1,064 14
76210	1101211101 - 5423110 Administration Sheriff Dept - Auto Maintenance	68 38
83156	1101172111 - 5423110 Fleet Mgmt-Galveston - Auto Maintenance	178 96
	Warrant Total:	**7,027.88**
Warrant #: VW 00362417	**Payee Name: CLEMENTS, CLYDE WESLEY**	
MOC325939 113012	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	390 00
	Warrant Total:	**390.00**
Warrant #: VW 00362419	**Payee Name: COBURN SUPPLY COMPANY INC**	
135439391	1101170100 - 5310000 Facilities Srvs & Maintenance - Supplies and Materials	32 28
	Warrant Total:	**32.28**
Warrant #: VW 00362420	**Payee Name: COCHRAN, WINSTON E JR**	
11CR3487 112012	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	373 75
12CR0549 112612	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	81 25
12CR2009 112112	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	113 75
12CR2415 112112	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	97 50

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Invoice Number	Account Info		Amount
		Warrant Total:	**666.25**
Warrant #: VW 00362421		**Payee Name: COLTZER, ROBERT G**	
11CR2253 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	867 10
		Warrant Total:	**867.10**
Warrant #: VW 00362422		**Payee Name: CONMED INC**	
JAN 2013	1101211133 - 5412095	Sheriff-Corrections - Jail Healthcare Contract	274,455 33
		Warrant Total:	**274,455.33**
Warrant #: VW 00362423		**Payee Name: CONZ, GLORIA**	
NOV 2012	1101451110 - 5481000	Senior Citizens - Contract Service	450 00
		Warrant Total:	**450.00**
Warrant #: VW 00362424		**Payee Name: COOK, DAVID**	
12CR3023 112612	1101121000 - 5431000	Justice Administration - Trial Expense	4 00
12CR3023 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	313 50
		Warrant Total:	**317.50**
Warrant #: VW 00362425		**Payee Name: COUNTY AND DISTRICT CLERKS**	
KINARD 112712	1101126100 - 5496100	District Clerk - Travel and Education	35 00
MCCOY 112712	1101126100 - 5496100	District Clerk - Travel and Education	35 00
RIGDON 112712	1101126100 - 5496100	District Clerk - Travel and Education	35 00
		Warrant Total:	**105.00**
Warrant #: VW 00362426		**Payee Name: COX, ELAINE**	
NOV 2012 MLG	1101443100 - 5496301	Indigent Care & Medication - Auto Mileage	79 37
		Warrant Total:	**79.37**
Warrant #: VW 00362428		**Payee Name: CRISS, SUSAN**	
11/6-11/12 TRVL	1101121000 - 5495100	Justice Administration - Education	43 73
		Warrant Total:	**43.73**
Warrant #: VW 00362430		**Payee Name: DAHLENBURG, MICHAEL L**	
MH4152 102212	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4155 103012	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4157 103012	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	100 00
MH4158 102412	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4159 111912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	100 00
MH4160 111912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4161 111912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4162A 110712	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	50 00
MH4163 111912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
		Warrant Total:	**1,300.00**
Warrant #· VW 00362431		**Payee Name: DAHLENBURG, MICHAEL L**	
MH4153 102412	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4154 103012	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4156 102412	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4162 110712	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	225 00
		Warrant Total:	**750.00**

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List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
Warrant #: VW 00362433		**Payee Name: DAVISON, AMRI**	
12CR1826	1101121000 - 5431121	Justice Administration - Court Reporter Expense	138 00
12CR1826 111412	1101121000 - 5431121	Justice Administration - Court Reporter Expense	6 00
		Warrant Total:	**144.00**
Warrant #: VW 00362434		**Payee Name: DIAZ, DEBBIE**	
NOV 2012 MLG	1101122300 - 5496301	Probate Court - Sullivan - Auto Mileage	293 60
		Warrant Total:	**293.60**
Warrant #: VW 00362435		**Payee Name: DIAZ, MARK A**	
00CR1493 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	536 25
12CR0264 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	650 00
12CR2273 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	520 00
JL DCKT 113012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	760 00
		Warrant Total:	**2,466.25**
Warrant #: VW 00362437		**Payee Name: DICKEY, TAMYRA**	
NOV 2012 MLG	1101443100 - 5496301	Indigent Care & Medication - Auto Mileage	75 48
		Warrant Total:	**75.48**
Warrant #: VW 00362439		**Payee Name: DIRECT ENERGY LP**	
653568337	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	120 44
		Warrant Total:	**120.44**
Warrant #: VW 00362440		**Payee Name: DRAGONY, RACHEL ANN**	
12CR1526 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	650 00
12CR2093 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	487 00
		Warrant Total.	**1,137.00**
Warrant #: VW 00362441		**Payee Name. DRUSS REAL ESTATE**	
802 AVE K 6	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	125 00
		Warrant Total:	**125.00**
Warrant #: VW 00362443		**Payee Name: DUNTEN LAW FIRM**	
20128755CC	1101000010 - 4414012	General Government - County Clerk Refund of Fees	14 00
		Warrant Total:	**14.00**
Warrant #: VW 00362444		**Payee Name: EDDY, CYNTHIA**	
MLG 1023 T 1101	1101114030 - 5496301	Election Expense - Auto Mileage	105 33
		Warrant Total:	**105.33**
Warrant #: VW 00362445		**Payee Name: EDMONSON, SUSAN**	
PR72652 101712	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	750 00
		Warrant Total:	**750.00**
Warrant #: VW 00362447		**Payee Name: ELLIS, SABRINA E.**	
112612 SUB CRDNT	1101121000 - 5415215	Justice Administration - Contract Srv-Senate Bill 7	100 00
120512 SUB CRDTR	1101121000 - 5415215	Justice Administration - Contract Srv-Senate Bill 7	50 00
		Warrant Total:	**150.00**
Warrant #: VW 00362448		**Payee Name: EMERGENCY MANAGEMENT SERVICES**	
2012 177	1101291010 - 5310000	Emergency Management - Supplies and Materials	192 85

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
		Warrant Total:	**192.85**
Warrant #: VW 00362449	**Payee Name: ENTERGY**		
2253364 112912	1101170100 - 5421200	Facilities Srvs & Maintenance - Electricity	2,103 69
3499447 112112	1101170100 - 5421200	Facilities Srvs & Maintenance - Electricity	144 83
3502451 112112	1101170100 - 5421200	Facilities Srvs & Maintenance - Electricity	2 22
3571159 112812	1101170100 - 5421200	Facilities Srvs & Maintenance - Electricity	194 58
3626535 112812	1101170100 - 5421200	Facilities Srvs & Maintenance - Electricity	143 36
3824548 112112	1101170100 - 5421200	Facilities Srvs & Maintenance - Electricity	7 09
		Warrant Total:	**2,595.77**
Warrant #: VW 00362452	**Payee Name: FAUS, SALVADOR**		
ATTY MO NOV 2012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	2,200 00
		Warrant Total:	**2,200.00**
Warrant #: VW 00362453	**Payee Name: FEDEX CORP**		
208210352	1101151300 - 5311140	County Auditor - Postage	64 75
		Warrant Total:	**64.75**
Warrant #: VW 00362454	**Payee Name: FINEGAN, SAMUEL K**		
324375 121312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	195 00
		Warrant Total.	**195.00**
Warrant #: VW 00362455	**Payee Name: FIRST CHOICE POWER**		
655001100518805	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	97 67
655001102767740	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	84 36
		Warrant Total:	**182.03**
Warrant #: VW 00362456	**Payee Name: FISHER, DENA LAURA**		
10CR1549 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	682 50
		Warrant Total:	**682.50**
Warrant #: VW 00362457	**Payee Name: FLEETCOR TECHNOLOGIES DBA CHEVRON**		
572192	1101172111 - 5322010	Fleet Mgmt-Galveston - Auto Fuel Expense	168 15
572270	1101172111 - 5322010	Fleet Mgmt-Galveston - Auto Fuel Expense	59 29
		Warrant Total:	**227.44**
Warrant #: VW 00362458	**Payee Name: FLEMING LAW FIRM**		
325443 111912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	195 00
		Warrant Total:	**195.00**
Warrant #: VW 00362459	**Payee Name: FOLEY, MARY ELIZABETH**		
11CP0066 110412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	1,365 00
11CP0084 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	1,121 75
12CP0018 031912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	412 75
12CP0043 070212	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	406 24
12CP0047 071112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	362 92
12CP0062 100912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	422 50
		Warrant Total:	**4,091.16**
Warrant #: VW 00362461	**Payee Name: FOXHOVEN INC**		
303143	1101159100 - 5481000	Information Technology - Contract Service	50,000 00

Galveston County, Texas

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Invoice Number	Account Info		Amount
303244	1101159100 - 5481000	Information Technology - Contract Service	50,000 00
		Warrant Total:	**100,000.00**
Warrant #: VW 00362462		**Payee Name: FRYE STEIDLEY OAKS AND BENAVIDEZ PLLC**	
325108 112912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	260 00
		Warrant Total:	**260.00**
Warrant #: VW 00362463		**Payee Name: FUHR, LATICIA D**	
PR0072018	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	540 00
		Warrant Total:	**540.00**
Warrant #. VW 00362464		**Payee Name: FULK, GEORGE BYRON**	
08CR0448 110712	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	1,608 75
11CR3092 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	1,982 50
		Warrant Total:	**3,591.25**
Warrant #: VW 00362465		**Payee Name: G & K SERVICES**	
1030232992	1101451110 - 5426106	Senior Citizens - Uniform Leasing	37 60
1030232993	1101522020 - 5426106	Parks Department - Uniform Leasing	15 86
1030234093	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	13 36
1030235323	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	13 67
1030236420	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	10 50
1030238803	1101451110 - 5426106	Senior Citizens - Uniform Leasing	36 56
1030239914	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	13 36
1030910652	1101522020 - 5426106	Parks Department - Uniform Leasing	12 31
1030910670	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	-0 78
1030910675	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	-3 24
1030910676	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	-3 38
1030910677	1101170100 - 5426106	Facilities Srvs & Maintenance - Uniform Leasing	-3 24
		Warrant Total:	**142.58**
Warrant #· VW 00362466		**Payee Name: GALVESTON CENTRAL APPRAISAL DISTRICT**	
1ST QRTER 1 2013	1101110000 - 5498001	General Government - Membership Appraisal Distrct	253,945 27
		Warrant Total:	**253,945.27**
Warrant #· VW 00362467		**Payee Name: GALVESTON COUNTY ECONOMIC ALLIANCE**	
20120054	1101440100 - 5503010	Community Services - Industrial Comm	35,000 00
		Warrant Total:	**35,000.00**
Warrant #: VW 00362468		**Payee Name. GALVESTON COUNTY HEALTH DISTRICT**	
3629	1101440100 - 5451104	Community Services - Galveston Cnty EMS	56,558 75
3630	1101440100 - 5451104	Community Services - Galveston Cnty EMS	99,691 25
		Warrant Total:	**156,250.00**
Warrant #: VW 00362469		**Payee Name. GALVESTON COUNTY SHERIFF'S DEPT**	
329576	1101211121 - 5600500	Sheriff-Criminal Investigation - Petty Cash	300 00
329580	1101211121 - 5600500	Sheriff-Criminal Investigation - Petty Cash	300 00
329582	1101211121 - 5600500	Sheriff-Criminal Investigation - Petty Cash	300 00
		Warrant Total:	**900.00**
Warrant #: VW 00362470		**Payee Name: GALVESTON COUNTY WCID #1**	
1400600019 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	66 53

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Invoice Number	Account Info		Amount
220024920 112612	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	210 25
220024924 112612	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	60 00
230025370 112612	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	34 67
30064065 120312	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	31 91
		Warrant Total:	**403.36**

Warrant #: VW 00362471 **Payee Name: GALVESTON COUNTY WCID #8**

120240 111512	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	277 61
217300 111412	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	11 81
217600 111412	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	316 46
22174000 111412	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	30 87
		Warrant Total:	**636.75**

Warrant #: VW 00362475 **Payee Name: GELB, JEFFREY**

08CR0575 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	195 00
12CR1798 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	796 25
12CR2226 112912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	666 25
12CR2979 111412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	146 25
		Warrant Total:	**1,803.75**

Warrant #: VW 00362476 **Payee Name: GHG CORPORATION**

26555	1101159100 - 5481000	Information Technology - Contract Service	475 00
		Warrant Total:	**475 00**

Warrant #: VW 00362477 **Payee Name: GILLMAN, MICHAEL DAVID**

12CR2590 111912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	373 75
		Warrant Total:	**373.75**

Warrant #: VW 00362478 **Payee Name: GOLDSBERRY & ASSOCIATES PLLC**

328609 112912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
328610 112912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
		Warrant Total:	**130.00**

Warrant #: VW 00362479 **Payee Name: GRADONI & ASSOCIATES**

11CR3284 110612	1101121000 - 5416000	Justice Administration - Prof Serv Investigators	884 43
		Warrant Total:	**884.43**

Warrant #: VW 00362480 **Payee Name: GRAHAM, CARMEN A**

12CR2146 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	97 50
		Warrant Total:	**97.50**

Warrant #: VW 00362482 **Payee Name: GULF COAST AEROBIC SERVICES**

195903	1101522020 - 5428000	Parks Department - Grounds Maintenance	2,165 00
		Warrant Total:	**2,165.00**

Warrant #: VW 00362484 **Payee Name: GULF COAST CENTER**

NOVEMBER 2012	1101440100 - 5448050	Community Services - Contract Services-MHMR	35,500 00
		Warrant Total:	**35,500.00**

Warrant #: VW 00362487 **Payee Name: HARBOR OAKS APARTMENTS**

8601 EMMETTE FLO	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	100 00
		Warrant Total:	**100 00**

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Invoice Number	Account Info		Amount
Warrant #: VW 00362489		**Payee Name: HERNANDEZ, SUSAN**	
NOV 2012 MLG	1101211101 - 5496301	Administration Sheriff Dept - Auto Mileage	34 97
		Warrant Total:	**34.97**
Warrant #: VW 00362494		**Payee Name: HINDMAN, MARGARET**	
12CR0050	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	146 25
MH4164 111912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	100 00
MH4165 111912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4167 111912	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	175 00
MH4171 112812	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	100 00
		Warrant Total:	**696.25**
Warrant #: VW 00362495		**Payee Name: HINDMAN, MARGARET**	
MH4170 112812	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362496		**Payee Name: HOGAN, DWANETTE**	
OCT-NOV 2012 MLG	1101443100 - 5496301	Indigent Care & Medication - Auto Mileage	499 50
		Warrant Total:	**499.50**
Warrant #: VW 00362499		**Payee Name: HOUSTON EQUIPMENT COMPANY**	
182617	1101123600 - 5310000	Justice Court Pct #8-1(prv #6) - Supplies and Materials	184 00
		Warrant Total:	**184.00**
Warrant #: VW 00362500		**Payee Name: HTI LTD**	
SCV003218	1101170100 - 5424000	Facilities Srvs & Maintenance - Maint & Repairs Buildings	270 56
		Warrant Total:	**270.56**
Warrant #: VW 00362502		**Payee Name: IBRAHIM & ELLIOTT LLP**	
12CR0967 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	536 25
12CR2411 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	276 25
318287 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
		Warrant Total:	**877.50**
Warrant #: VW 00362503		**Payee Name: IBRAHIM & ELLIOTT LLP**	
12CR0531 112912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	276 25
		Warrant Total:	**276 25**
Warrant #: VW 00362504		**Payee Name: INFOSAT COMMUNICATIONS**	
101346	1101159100 - 5492101	Information Technology - Telephone Expense	43 60
		Warrant Total:	**43.60**
Warrant #: VW 00362505		**Payee Name: INTECH SOUTHWEST SERVICE LLC**	
ELECTRIC OPENER	1101151500 - 5310000	Tax Assessor Collector - Supplies and Materials	770 00
		Warrant Total:	**770.00**
Warrant #: VW 00362506		**Payee Name: IRMITER, MARITA**	
PR0072018 110512	1101122300 - 5431223	Probate Court - Sullivan - Defense Atty Prob/Co Ct	487 50
		Warrant Total:	**487.50**
Warrant #: VW 00362507		**Payee Name: JACK O'BOYLE & ASSOCIATES**	
20127844CC	1101000010 - 4414012	General Government - County Clerk Refund of Fees	5 00

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Invoice Number	Account Info	Amount
	Warrant Total:	5.00
Warrant #: VW 00362508	**Payee Name: JACKSON, CALVIN C**	
326238 112812	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	227 50
	Warrant Total:	227.50
Warrant #: VW 00362509	**Payee Name: JACKSON, ERIN LARENA**	
11CR2968 112812	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	156 00
12CR1708 112812	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	231 00
12CR1751 111212	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	331 50
	Warrant Total:	718.50
Warrant #: VW 00362510	**Payee Name: JALUFKA, GAIL**	
10CR1522 112812	1101121000 - 5411102 Justice Administration - Prof Serv Transcripts	3,825 00
	Warrant Total:	3,825.00
Warrant #: VW 00362513	**Payee Name: JOHNSON, CHERYL E**	
PHONE COVER	1101151500 - 5310000 Tax Assessor Collector - Supplies and Materials	37 89
	Warrant Total:	37.89
Warrant #: VW 00362514	**Payee Name: JONES LAW FIRM**	
12CR2055 102612	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	481 00
	Warrant Total:	481.00
Warrant #: VW 00362516	**Payee Name: JONES, STACEY LEE**	
12CR0502 120312	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	975 00
	Warrant Total:	975.00
Warrant #: VW 00362518	**Payee Name: KASEYA US SALES LLC**	
1968110	1101159100 - 5751006 Information Technology - Infrastructure Refresh	32,655 00
1968111	1101159100 - 5751006 Information Technology - Infrastructure Refresh	7,700 00
1968112S	1101159100 - 5751006 Information Technology - Infrastructure Refresh	2,495 00
	Warrant Total:	42,850.00
Warrant #: VW 00362519	**Payee Name: KASSBOHRER ALL TERRAIN VEHICLES INC**	
90080791	1101544042 - 5310000 Beach Maintenance-Rd & Bridge - Supplies and Materials	3,769 98
90080795	1101544042 - 5423000 Beach Maintenance-Rd & Bridge - Maint/Repairs Equipment	5 95
	Warrant Total:	3,775.93
Warrant #: VW 00362520	**Payee Name: KAUFMANN, CHARLES R**	
375113 112712	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	162 50
JL DCKT 112812	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	190 00
	Warrant Total:	352.50
Warrant #: VW 00362521	**Payee Name: KENNIE, MARGARET**	
11/26-12/04 CLRK	1101121000 - 5415215 Justice Administration - Contract Srv-Senate Bill 7	530 00
	Warrant Total:	530.00
Warrant #: VW 00362522	**Payee Name: KIESCHNICK, JONATHAN C**	
10CR3841 112912	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	260 00
12CR2210 112912	1101121000 - 5431230 Justice Administration - Court Apptd Atty Dist Courts	178 75
	Warrant Total:	438 75

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Invoice Number	Account Info		Amount
Warrant #: VW 00362524		**Payee Name: LAW OFFICE OF CHRISTOPHER JOHNSEN**	
PR73685	1101443100 - 5413000	Indigent Care & Medication - Prof Serv Legal Fees	250 00
PR73736	1101443100 - 5413000	Indigent Care & Medication - Prof Serv Legal Fees	250 00
PR73879	1101443100 - 5413000	Indigent Care & Medication - Prof Serv Legal Fees	250 00
		Warrant Total:	**750.00**
Warrant #: VW 00362525		**Payee Name: LAW OFFICE OF CS HALL PLLC**	
12CR0872 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	858 25
12CR2731 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	308 75
324425 113012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	390 00
		Warrant Total:	**1,557.00**
Warrant #: VW 00362526		**Payee Name: LAW OFFICE OF KYLE VERRET PLLC, THE**	
11CR0448 111212	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	279 50
		Warrant Total:	**279.50**
Warrant #: VW 00362527		**Payee Name: LAW OFFICE OF MICHAEL RUSSO PLLC**	
12CR1259 103112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	357 50
12JV0084 112012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	97 50
12JV0303 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	130 00
		Warrant Total:	**585.00**
Warrant #: VW 00362528		**Payee Name: LAW OFFICES OF DAVID P WALKER PC**	
12CR1769 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	175 50
		Warrant Total:	**175.50**
Warrant #: VW 00362529		**Payee Name: LAWYERS TITLE**	
881620	1101000010 - 4414012	General Government - County Clerk Refund of Fees	204 00
		Warrant Total:	**204.00**
Warrant #: VW 00362530		**Payee Name: LEATHERS, BILL**	
11CR1094831 1127	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	406 25
		Warrant Total:	**406.25**
Warrant #: VW 00362531		**Payee Name: LEWIS, VICKI**	
12FD0874 092612	1101000000 - 2460024	General Fund - District Clerk Investigator	600 00
12FD1699 111512	1101000000 - 2460024	General Fund - District Clerk Investigator	600 00
		Warrant Total:	**1,200.00**
Warrant #: VW 00362533		**Payee Name: LINEBARGER GOGGAN BLAIR & SAMPSON LLP**	
NOV 2012 JP1	1101000000 - 2291011	General Fund - Due to Collection Agency	34 30
NOV 2012 JP5	1101000000 - 2291011	General Fund - Due to Collection Agency	1,620 30
NOVEMBER 2012	1101000000 - 2291011	General Fund - Due to Collection Agency	2,706 48
		Warrant Total:	**4,361.08**
Warrant #: VW 00362535		**Payee Name: LSI TITLE AGENCY, INC.**	
883522	1101000010 - 4414012	General Government - County Clerk Refund of Fees	172 00
		Warrant Total:	**172.00**
Warrant #: VW 00362536		**Payee Name: M BRUCE FORT PC**	
08JV0299 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	2,300 00

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Invoice Number	Account Info		Amount
		Warrant Total:	**2,300.00**
Warrant #: VW 00362537	**Payee Name: MABRY HERBECK & ROBERTS**		
20128199CC	1101000010 - 4414012	General Government - County Clerk Refund of Fees	5 00
		Warrant Total:	**5.00**
Warrant #: VW 00362538	**Payee Name: MALONEY & PARKS LLP**		
12CR0206 092412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	828 75
		Warrant Total:	**828.75**
Warrant #: VW 00362539	**Payee Name: MARION, WILLIAM DAVID**		
328031 112912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	234 00
		Warrant Total:	**234.00**
Warrant #: VW 00362540	**Payee Name: MARTIN, THOMAS A**		
11CR3488 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	585 00
12CR0946 102612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	390 00
		Warrant Total:	**975.00**
Warrant #: VW 00362541	**Payee Name: MARTY'S CITY AUTO INC**		
LOG 5211	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	250 00
LOG 5301	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	74 00
LOG 5381	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	494 00
		Warrant Total:	**818.00**
Warrant #: VW 00362542	**Payee Name: MASSEY, JULIE**		
TOLL RMB	1101610200 - 5496301	County Extension - Auto Mileage	7 00
		Warrant Total:	**7.00**
Warrant #: VW 00362544	**Payee Name: MCCARNES, LOIS**		
10CR0905 092512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	7,166 25
12CR1931 120412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	341 25
		Warrant Total:	**7,507.50**
Warrant #: VW 00362545	**Payee Name: MCKENZIE, MARION**		
NOV 2012 MLG	1101443100 - 5496301	Indigent Care & Medication - Auto Mileage	289 28
		Warrant Total:	**289.28**
Warrant #: VW 00362546	**Payee Name: MCLEOD ALEXANDER POWEL & APFFEL PC**		
11CP0049 112012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	325 00
12CR0058 103112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	276 25
		Warrant Total:	**601.25**
Warrant #: VW 00362550	**Payee Name: MIZE, MINCES & CLARK P C**		
2028	1101110000 - 5481000	General Government - Contract Service	9,553 62
		Warrant Total:	**9,553.62**
Warrant #: VW 00362551	**Payee Name: MORRIS, PHILLIP W**		
328166 327955	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	130 00
		Warrant Total:	**130.00**
Warrant #: VW 00362552	**Payee Name: MUELLER, DINAH J**		

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Invoice Number	Account Info		Amount
10CP0057 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	199 61
10CRP0103 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
		Warrant Total:	**264.61**
Warrant #: VW 00362553		**Payee Name: MURRIE, ERNEST**	
OCT & NOV MLG	1101114030 - 5496301	Election Expense - Auto Mileage	336 05
		Warrant Total:	**336.05**
Warrant #: VW 00362554		**Payee Name: NAGORSKI, PATRICK E.**	
320844 041812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	540 00
		Warrant Total:	**540.00**
Warrant #: VW 00362555		**Payee Name: NAJER, MAURICE**	
326349 110512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	136 50
		Warrant Total:	**136.50**
Warrant #: VW 00362556		**Payee Name: NELSON, TAD A.**	
10CR1078 110812	1101121000 - 5431000	Justice Administration - Trial Expense	55 95
10CR1078 110812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	3,697 80
12CR1523 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	975 00
		Warrant Total:	**4,728.75**
Warrant #: VW 00362557		**Payee Name: NGUYEN, JASON**	
MEETING 112712	1101114000 - 5496301	County Clerk - Auto Mileage	55 85
MLG 1022 T 1106	1101114030 - 5496301	Election Expense - Auto Mileage	108 84
		Warrant Total:	**164.69**
Warrant #: VW 00362558		**Payee Name: NICKELSON, LINDA J**	
12CR2015 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	455 00
		Warrant Total:	**455.00**
Warrant #: VW 00362560		**Payee Name: ONEOK INC**	
9124526381607482	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	90 70
		Warrant Total:	**90.70**
Warrant #: VW 00362561		**Payee Name: OTIS ELEVATOR CO CORP**	
TG04457B12	1101170100 - 5423701	Facilities Srvs & Maintenance - Maintenance Contracts	2,913 84
TG04457C12	1101170100 - 5423701	Facilities Srvs & Maintenance - Maintenance Contracts	2,913 84
		Warrant Total:	**5,827 68**
Warrant #: VW 00362563		**Payee Name: OWEN ELECTRIC SUPPLY**	
2645162823	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	-184 50
2645425289	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	476 25
2645425311	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	54 25
2645425355	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	669 00
2645425884	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	39 75
2645425901	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	16 00
3975100130	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	-97 08
3975100337	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	-168 36
3975100508	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	-6 75
3975446949	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	18 00
3975449340	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	104 68

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Invoice Number	Account Info		Amount
3975449475	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	113 70
3975449488	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	275 00
3975449814	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	74 01
3975449938	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	63 33
3975450443	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	57 57
3975450446	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	100 00
3975450469	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	169 56
3975450491	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	197 40
3975450885	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	6 75
3975450931	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	146 67
3975450946	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	41 70
3975451038	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	116 70
3975451039	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	75 61
3975451115	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	788 64
3975451330	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	300 00
3975451427	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	27 00
3975451922	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	113 46
3975452210	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	104 10
3975452285	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	179 50
3975452771	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	83 40
3975452866	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	180 00
3975453220	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	525 00
3975453381	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	170 00
3975453793	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	2 99
3975453815	1101170100 - 5310000	Facilities Srvs & Maintenance - Supplies and Materials	169 61
		Warrant Total:	**5,002.94**

Warrant #: VW 00362564 **Payee Name: PALMER, MICHAEL**

11CR3284	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	2,128 75
		Warrant Total:	**2,128.75**

Warrant #: VW 00362566 **Payee Name: PATTERSON, GAYLE L.**

10TH 103012 RPTR	1101121000 - 5431121	Justice Administration - Court Reporter Expense	126 64
		Warrant Total:	**126.64**

Warrant #: VW 00362567 **Payee Name: PENINSULA EMERGENCY MEDICAL SERVICE**

2012008	1101440100 - 5451104	Community Services - Galveston Cnty EMS	65,937 50
2012009	1101440100 - 5451104	Community Services - Galveston Cnty EMS	65,937 50
2012010	1101440100 - 5451104	Community Services - Galveston Cnty EMS	65,937 50
		Warrant Total:	**197,812.50**

Warrant #: VW 00362570 **Payee Name: PESTMASTER SERVICES INC**

11621	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	325 00
11715	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	100 00
11770	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	50 40
11939	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	100 80
12087	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	90 00
12095	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	600 00
12104	1101170100 - 5481000	Facilities Srvs & Maintenance - Contract Service	150 00
		Warrant Total:	**1,416.20**

Warrant #: VW 00362571 **Payee Name: PINE FOREST APARTMENTS**

ELECTRICAL BILL	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	106 36

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Invoice Number	Account Info		Amount
		Warrant Total:	**106.36**
Warrant #: VW 00362572	**Payee Name: PORT SUPPLY**		
006937	1101211143 - 5423104	Patrol Division - Maint/Repairs Boat	454 52
		Warrant Total:	**454.52**
Warrant #: VW 00362573	**Payee Name: QUINTANILLA, DONNIE**		
JL DCKT 113012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	760 00
JL DKT 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	380 00
		Warrant Total:	**1,140.00**
Warrant #: VW 00362576	**Payee Name: RAYAS, LADISLOA**		
1136 2ND AVE NO	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362578	**Payee Name: REGIONAL PUBLIC DEFENDER FOR CAPITAL**		
AGRMNT 2013	1101121000 - 5431237	Justice Administration - Crt Appt Attrney-Capital Cases	79,688 00
		Warrant Total:	**79,688.00**
Warrant #: VW 00362579	**Payee Name: REITER, PUTNAM K.**		
VSTNG JDG 111212	1101121000 - 5415215	Justice Administration - Contract Srv-Senate Bill 7	525 15
		Warrant Total:	**525.15**
Warrant #: VW 00362580	**Payee Name: RNCM PROPERTY MANAGEMENT LLC**		
5332 WINDING BRO	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362583	**Payee Name: ROSENBERG LIBRARY**		
402	1101440100 - 5461012	Community Services - Co Library System Overhead	45,083 33
403	1101440100 - 5461012	Community Services - Co Library System Overhead	45,083 33
		Warrant Total:	**90,166.66**
Warrant #: VW 00362585	**Payee Name: RUBINO, ANTHONY J**		
1487	1101513200 - 5311500	Galveston County Museum - Museum Programming	280 00
1488	1101513200 - 5311500	Galveston County Museum - Museum Programming	320 00
		Warrant Total:	**600.00**
Warrant #: VW 00362586	**Payee Name: RUSSELL, GREG**		
11CR2447 112612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	487 50
12CR1483 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	325 00
		Warrant Total:	**812.50**
Warrant #: VW 00362587	**Payee Name: SAENZ, ALVIN N**		
12CR1504 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	487 50
		Warrant Total:	**487.50**
Warrant #. VW 00362588	**Payee Name: SAN LEON MUNICIPAL UTILITY DIST**		
1035109002 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	41 17
1035319500 1112	1101170100 - 5421100	Facilities Srvs & Maintenance - Water	48 70
		Warrant Total.	**89.87**
Warrant #: VW 00362590	**Payee Name: SANTA FE AUTO PARTS INC**		

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Invoice Number	Account Info		Amount
111578	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	65 47
111579	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	15 00
		Warrant Total:	**80.47**
Warrant #: VW 00362591		**Payee Name: SARGENT, WILLIAM K.**	
MLG ELCTN TRAVEL	1101114030 - 5496301	Election Expense - Auto Mileage	194 25
		Warrant Total:	**194.25**
Warrant #· VW 00362592		**Payee Name: SCHWAB, TAYLOR**	
327298 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	214 50
JAIL DKT 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	950 00
		Warrant Total:	**1,164.50**
Warrant #: VW 00362593		**Payee Name: SCOTT, SHELBY**	
12CR2786 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	341 25
12CR3187 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	92 50
JL DCKT 113012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	950 00
		Warrant Total:	**1,383.75**
Warrant #: VW 00362594		**Payee Name: SEARS & BENNETT LLP**	
12CR2197 120412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	861 25
JAIL DKT 111912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	950 00
		Warrant Total:	**1,811.25**
Warrant #: VW 00362597		**Payee Name: SHEARN MOODY PLAZA CORP**	
4TH FLR 113012	1101110000 - 5426250	General Government - Rental Office Space	24,530 91
5TH FLR 113012	1101110000 - 5426250	General Government - Rental Office Space	28,587 48
		Warrant Total:	**53,118.39**
Warrant #: VW 00362599		**Payee Name: SMITH, PATRICIA**	
OCT-DEC 2012 MLG	1101451110 - 5496301	Senior Citizens - Auto Mileage	62 70
		Warrant Total:	**62.70**
Warrant #: VW 00362603		**Payee Name: STACEY VALDEZ & ASSOCIATES PLLC**	
09CR2044 111412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
12CR783 112012	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	325 00
		Warrant Total:	**390.00**
Warrant #: VW 00362604		**Payee Name: STEVE'S WAREHOUSE TIRES**	
1178	1101211101 - 5423110	Administration Sheriff Dept - Auto Maintenance	15 00
		Warrant Total:	**15.00**
Warrant #: VW 00362605		**Payee Name: STEVENS, MARK W**	
JAIL DKT 112112	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	950 00
		Warrant Total:	**950.00**
Warrant #: VW 00362606		**Payee Name: STICKLER, TOMMY JAMES**	
12CR1195 112712	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	780 00
12CR2252 112712	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	325 00
		Warrant Total:	**1,105 00**
Warrant #: VW 00362607		**Payee Name: STREAM ENERGY**	

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Invoice Number	Account Info		Amount
1135391779	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	99 00
1157178738	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	140 04
1187963462	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	144 46
1193184568	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	150 00
		Warrant Total:	**533.50**

Warrant #: VW 00362608 **Payee Name: SUHLER, DAVID**

311806 120612	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	996 00
		Warrant Total:	**996.00**

Warrant #: VW 00362609 **Payee Name: SULLIVAN, DWIGHT D**

REIMBURSE NOV12	1101114000 - 5496100	County Clerk - Travel and Education	121 00
REIMBURSE NOV12	1101114000 - 5496301	County Clerk - Auto Mileage	145 10
		Warrant Total:	**266.10**

Warrant #: VW 00362610 **Payee Name: SULLIVAN, KIMBERLY A**

11/12-18/12 TRVL	1101122300 - 5496100	Probate Court - Sullivan - Travel and Education	1,132 77
		Warrant Total:	**1,132.77**

Warrant #. VW 00362612 **Payee Name: SUMMERLIN LAW FIRM PLLC**

12CR2662 111912	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	601 25
324621 120512	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	1,137 50
		Warrant Total:	**1,738.75**

Warrant #: VW 00362614 **Payee Name: SUNFLOWER FOODS LTD**

13839	1101190100 - 5481000	County Engineer - Contract Service	238 60
		Warrant Total:	**238.60**

Warrant #: VW 00362617 **Payee Name: TAYLOR, ANGELA M**

325912 120412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	211 25
		Warrant Total:	**211.25**

Warrant #: VW 00362618 **Payee Name: TEXAS AGRILIFE EXTENSION**

A300778	1101126100 - 5496100	District Clerk - Travel and Education	480 00
		Warrant Total:	**480.00**

Warrant #: VW 00362620 **Payee Name: TEXAS DEPARTMENT OF PUBLIC SAFETY**

ALCO BLOOD KIT	1101211143 - 5310000	Patrol Division - Supplies and Materials	125 00
		Warrant Total:	**125.00**

Warrant #: VW 00362624 **Payee Name: TEXAS STATE UNIVERSITY SAN MARCOS**

SCHOOL 2013	1101123300 - 5496100	Justice Court Pct #3 - Travel and Education	600 00
		Warrant Total:	**600.00**

Warrant #: VW 00362627 **Payee Name: TORRES, ROBERTO**

02FD0189 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
12CR2465 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
OOFD0987 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00
		Warrant Total:	**195.00**

Warrant #: VW 00362628 **Payee Name: TORRES, ROBERTO**

04FD1340 120312	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	65 00

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Invoice Number	Account Info		Amount
		Warrant Total:	**65.00**
Warrant #: VW 00362629	**Payee Name: TRAVIS COUNTY**		
12002483	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	399 00
12002609	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	399 00
12002664	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	399 00
12002683	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	399 00
12002900	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	374 00
12002914	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	374 00
12002931	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	374 00
12002933	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	374 00
12002986	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	374 00
12003004	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	399 00
12003068	1101122300 - 5432212	Probate Court - Sullivan - Cost Bill Commitment	374 00
		Warrant Total:	**4,239.00**
Warrant #: VW 00362631	**Payee Name: U.S. ENERGY SAVINGS CORP.**		
6016966	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	74 12
		Warrant Total:	**74.12**
Warrant #: VW 00362632	**Payee Name. UNITED STATES POSTAL SERVICE**		
BRM 130000	1101126100 - 5311141	District Clerk - Jury Postage	190 00
		Warrant Total:	**190.00**
Warrant #: VW 00362633	**Payee Name: UNITED STATES POSTAL SERVICE**		
BR 130001	1101126100 - 5311141	District Clerk - Jury Postage	605 00
		Warrant Total:	**605.00**
Warrant #: VW 00362634	**Payee Name: UNITED STATES POSTAL SERVICE**		
4511526	1101159100 - 5311140	Information Technology - Postage	605 00
		Warrant Total:	**605 00**
Warrant #· VW 00362635	**Payee Name: UNIVERSAL TITLE PARTNERS**		
881607	1101000010 - 4414012	General Government - County Clerk Refund of Fees	12 00
		Warrant Total:	**12.00**
Warrant #· VW 00362636	**Payee Name: UTMB**		
708X24013043	1101121000 - 5412115	Justice Administration - Psychological Exam	800 00
		Warrant Total:	**800.00**
Warrant #: VW 00362637	**Payee Name: VALLEY SERVICES INC**		
INV171296	1101451110 - 5501020	Senior Citizens - Grant Match	4,035 96
IVC170754	1101451110 - 5501020	Senior Citizens - Grant Match	4,842 24
IVC170756	1101451110 - 5501020	Senior Citizens - Grant Match	4,162 32
IVC170962	1101451110 - 5501020	Senior Citizens - Grant Match	4,585 16
IVC170964	1101451110 - 5501020	Senior Citizens - Grant Match	4,495 50
IVC171294	1101451110 - 5501020	Senior Citizens - Grant Match	4,796 88
IVC171492	1101451110 - 5501020	Senior Citizens - Grant Match	4,278 64
IVC171494	1101451110 - 5501020	Senior Citizens - Grant Match	3,666 33
IVC171900	1101451110 - 5501020	Senior Citizens - Grant Match	2,464 80
IVC171904	1101451110 - 5501020	Senior Citizens - Grant Match	2,257 74
		Warrant Total:	**39,585.57**

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Invoice Number	Account Info		Amount
Warrant #: VW 00362638		**Payee Name: VAREEN, ELIZABETH A.**	
08FD2811	1101000000 - 2291104	General Fund - DC-Refunds of Fees	158 00
		Warrant Total:	**158.00**
Warrant #: VW 00362639		**Payee Name: VEGA RESOURCES LLC**	
1201110192	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	131 34
1210040049	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	97 71
		Warrant Total:	**229.05**
Warrant #: VW 00362640		**Payee Name: VELOCITY COMMERCIAL CAPITAL**	
6601 MEMORIAL DR	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362642		**Payee Name: VENTURA, HECTOR**	
901 1ST 5	1101443100 - 5447200	Indigent Care & Medication - Emergency Assistance	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362644		**Payee Name: VICKERY, KAY**	
NOV 2012	1101211101 - 5496301	Administration Sheriff Dept - Auto Mileage	31 08
		Warrant Total:	**31.08**
Warrant #: VW 00362649		**Payee Name: WATKINS, GENE ANTONE**	
325967 112712	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	195 00
		Warrant Total.	**195.00**
Warrant #: VW 00362650		**Payee Name: WEBER, WINIFRED B**	
08CR1220 120412	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	130 00
		Warrant Total:	**130.00**
Warrant #: VW 00362652		**Payee Name: WESTWARD COMMUNICATIONS**	
237692	1101110000 - 5481000	General Government - Contract Service	216 72
		Warrant Total:	**216.72**
Warrant #: VW 00362656		**Payee Name: WILSON, JOCELYN**	
NOV 2012 MLG	1101443100 - 5496301	Indigent Care & Medication - Auto Mileage	479 52
		Warrant Total:	**479.52**
Warrant #: VW 00362658		**Payee Name: WRIGHT, ANDREW A**	
324807	1101121000 - 5431000	Justice Administration - Trial Expense	0 45
324807	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	702 00
		Warrant Total:	**702.45**
Warrant #: VW 00362659		**Payee Name: ZENDEH DEL AND ASSOCIATES PLLC**	
JL DCKT 112812	1101121000 - 5431230	Justice Administration - Court Apptd Atty Dist Courts	190 00
		Warrant Total:	**190.00**
		FUND 1101 TOTAL:	**1,597,156.68**

FUND: 2211 Law Library

Warrant #: VW 00362577 **Payee Name: REED ELSEVIER INC**

Invoice Number	Account Info		Amount
1210110549	2211129100 - 5317000	Law Library - Books & Periodicals	2 07
		Warrant Total:	**2.07**
		FUND 2211 TOTAL:	**2.07**

FUND: 2212 Mediation Services Prog Fund

Warrant #: VW 00362370 **Payee Name: AMERSON, RODGER DAN**

12CP0077 120312	2212125300 - 5432011	Mediation Services - Mediation Services	437 50
		Warrant Total:	**437 50**

Warrant #: VW 00362383 **Payee Name: BERARDINELLI CORREIA, SHAUNA L**

12FD2693 112712	2212125300 - 5432011	Mediation Services - Mediation Services	418 00
		Warrant Total:	**418.00**

Warrant #: VW 00362523 **Payee Name: KILGORE, JEFFREY A**

12CP0078 120312	2212125300 - 5432011	Mediation Services - Mediation Services	312 50
		Warrant Total:	**312.50**
		FUND 2212 TOTAL:	**1,168.00**

FUND: 2216 Probate Court Contributions Fd

Warrant #: VW 00362596 **Payee Name: SHATTUCK, BOB**

MH4152 102212	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4153 102412	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4154 103012	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4155 103012	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4156 102412	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4157 103012	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4158 102412	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4159 111912	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4160 111912	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4161 111912	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4162 110712	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4163 111912	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4164 111912	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4165 111912	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4167 111912	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4170 112812	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
MH4171 112812	2216122320 - 5431407	Probate Court Contributions - Associate Judge-Probate Cou	160 00
		Warrant Total:	**2,720.00**
		FUND 2216 TOTAL:	**2,720.00**

FUND: 2220 Adult Probation Fund

Warrant #: VW 00362436 **Payee Name: DICKEY, ROCHELL**

SEPT 2012 MLG	2220255101 - 5496100	Adult Probation - Travel and Education	97 68
		Warrant Total:	**97 68**

Galveston County, Texas

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Invoice Number	Account Info		Amount
Warrant #: VW 00362485		**Payee Name: GULF COAST CENTURY**	
84376	2220255101 - 5310000	Adult Probation - Supplies and Materials	295 00
		Warrant Total:	**295.00**
Warrant #: VW 00362515		**Payee Name: JONES, CHARLOTTE**	
SEPT 2012 MLG	2220255101 - 5496100	Adult Probation - Travel and Education	160 40
		Warrant Total:	**160.40**
Warrant #: VW 00362582		**Payee Name: ROSEMON, VANESSA R**	
SEPT 2012 MLG	2220255101 - 5496100	Adult Probation - Travel and Education	232 55
		Warrant Total:	**232.55**
Warrant #: VW 00362625		**Payee Name: THOMPSON, SHELLY**	
OCT-NOV 2012 MLG	2220255101 - 5496100	Adult Probation - Travel and Education	179 27
		Warrant Total:	**179.27**
Warrant #: VW 00362641		**Payee Name: VENEGAS, JESUS**	
SEPT 2012 MLG	2220255101 - 5496100	Adult Probation - Travel and Education	32 75
		Warrant Total:	**32.75**
Warrant #: VW 00362655		**Payee Name: WILLIAMS, NICKISHA**	
SEPT 2012 MLG	2220255101 - 5496100	Adult Probation - Travel and Education	169 83
		Warrant Total:	**169.83**
		FUND 2220 TOTAL:	**1,167.48**

FUND: 2230 Juvenile Justice Fund

Invoice Number	Account Info		Amount
Warrant #: VW 00362364		**Payee Name: ABL MANAGEMENT INC**	
195904	2230256118 - 5481199	Detention - Food Service Contract	1,675 85
195904	2230256119 - 5481199	Post Program - Food Service Contract	947 01
195904	2230256155 - 5481199	Juv Justice Alt Ed Program - Food Service Contract	97 04
		Warrant Total:	**2,719.90**
Warrant #: VW 00362472		**Payee Name: GARATE, FAITH E**	
NOV 2012 MLG	2230256105 - 5496301	Juv Justice - Administration - Auto Mileage	65 49
		Warrant Total:	**65.49**
Warrant #: VW 00362483		**Payee Name: GULF COAST CENTER**	
NOV 2012 RMB	2230256100 - 5436107	Juvenile Justice - Outpatient Counseling	7,228 75
		Warrant Total:	**7,228.75**
Warrant #: VW 00362488		**Payee Name: HERNANDEZ, CARLOS**	
NOV 2012 MLG	2230256100 - 5496301	Juvenile Justice - Auto Mileage	167 06
		Warrant Total:	**167.06**
Warrant #: VW 00362490		**Payee Name: HERRING JR, MATTHEW**	
NOV 2012 MLG	2230256100 - 5496301	Juvenile Justice - Auto Mileage	111 56
		Warrant Total:	**111.56**
Warrant #: VW 00362543		**Payee Name: MAXWELL, BONITA G**	

Invoice Number	Account Info		Amount
NOV 2012 MLG	2230256105 - 5496301	Juv Justice - Administration - Auto Mileage	189 81
		Warrant Total:	**189.81**
Warrant #: VW 00362575		**Payee Name: RAMIREZ, VICTORIA**	
NOV 2012 MLG	2230256100 - 5496301	Juvenile Justice - Auto Mileage	173 72
		Warrant Total:	**173.72**
Warrant #: VW 00362584		**Payee Name: ROWE, WALTER**	
112912 LIFE SKLL	2230256100 - 5436107	Juvenile Justice - Outpatient Counseling	200 00
		Warrant Total:	**200.00**
Warrant #: VW 00362589		**Payee Name: SANDERS, EARNESTINE LYNCH**	
NOV 2012 MLG	2230256100 - 5496301	Juvenile Justice - Auto Mileage	53 28
		Warrant Total:	**53.28**
Warrant #: VW 00362626		**Payee Name: TORRES, JUAN**	
136279	2230256100 - 5441301	Juvenile Justice - Placement Services	519 00
		Warrant Total:	**519.00**
Warrant #: VW 00362653		**Payee Name: WILLIAMS, AMANDA J.**	
MLG NOV 2012	2230256105 - 5496301	Juv Justice - Administration - Auto Mileage	66 60
		Warrant Total:	**66.60**
		FUND 2230 TOTAL:	**11,495.17**

FUND: 2301 Road & Bridge Fund

Invoice Number	Account Info		Amount
Warrant #: VW 00362376		**Payee Name: B & B ICE INC**	
4181313	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	283 60
		Warrant Total:	**283.60**
Warrant #: VW 00362377		**Payee Name: BACLIFF BUILDERS SUPPLY INC.**	
12746	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	29 52
		Warrant Total:	**29.52**
Warrant #: VW 00362381		**Payee Name: BAY OIL CO CORP**	
225444	2301312120 - 5322010	FM & Lateral Road - Auto Fuel Expense	9,174 00
226474	2301312120 - 5322010	FM & Lateral Road - Auto Fuel Expense	6,794 96
		Warrant Total:	**15,968.96**
Warrant #: VW 00362384		**Payee Name: BETA TECHNOLOGY INC**	
576222	2301312120 - 5310000	FM & Lateral Road - Supplies and Materials	1,475 00
		Warrant Total:	**1,475 00**
Warrant #: VW 00362391		**Payee Name: BROOKSIDE EQUIP SALES INC**	
IL39773	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	323 00
IL39792	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	242 25
		Warrant Total:	**565.25**
Warrant #: VW 00362394		**Payee Name: BRYANT, ELIZABETH**	
NOV 2012 MLG	2301312120 - 5496100	FM & Lateral Road - Travel and Education	49 33

Galveston County, Texas

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Invoice Number	Account Info		Amount
		Warrant Total:	**49.33**
Warrant #: VW 00362395	**Payee Name: C JOHNNY ON THE SPOT INC**		
3046	2301312110 - 5481000	Administration - Contract Service	100 00
		Warrant Total:	**100.00**
Warrant #: VW 00362405	**Payee Name: CHERRY CRUSHED CONCRETE INC**		
1025943	2301312120 - 5353014	FM & Lateral Road - Materials Flexible Base	3,287 72
1028176	2301312120 - 5353014	FM & Lateral Road - Materials Flexible Base	3,275 67
1029363	2301312120 - 5353014	FM & Lateral Road - Materials Flexible Base	3,766 73
1029405	2301312120 - 5353014	FM & Lateral Road - Materials Flexible Base	3,853 13
		Warrant Total:	**14,183.25**
Warrant #: VW 00362418	**Payee Name: CLEVELAND ASPHALT PRODUCTS INC**		
11892	2301312120 - 5353011	FM & Lateral Road - Road Oils & Emulsions	11,544 11
		Warrant Total:	**11,544.11**
Warrant #: VW 00362465	**Payee Name. G & K SERVICES**		
1030235318	2301312120 - 5426106	FM & Lateral Road - Uniform Leasing	36 78
1030236484	2301312120 - 5426106	FM & Lateral Road - Uniform Leasing	173 91
1030910678	2301312120 - 5426106	FM & Lateral Road - Uniform Leasing	-8 64
		Warrant Total:	**202.05**
Warrant #: VW 00362492	**Payee Name. HI-WAY EQUIPMENT COMPANY LLC**		
H44362	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	94 02
		Warrant Total:	**94.02**
Warrant #: VW 00362563	**Payee Name: OWEN ELECTRIC SUPPLY**		
3975454977	2301312110 - 5424000	Administration - Maint & Repairs Buildings	43 40
3975454985	2301312110 - 5424000	Administration - Maint & Repairs Buildings	110 00
		Warrant Total:	**153.40**
Warrant #: VW 00362565	**Payee Name: PAT'S DEMOLITION AND DEBRIS REMOVAL**		
00031395	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	14 50
00031412	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	62 00
		Warrant Total.	**76.50**
Warrant #: VW 00362581	**Payee Name: ROMCO INC**		
11055331	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	37 46
		Warrant Total:	**37.46**
Warrant #: VW 00362590	**Payee Name: SANTA FE AUTO PARTS INC**		
109901	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	4 32
110266	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	1,172 12
110331	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	2 78
110507	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	265 29
110514	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	153 00
110583	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	40 92
110618	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	2 95
110627	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	98 22
110669	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	77 38
110723	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	20 85

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
110921	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	34 54
111064	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	18 91
111274	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	285 05
111445	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	168 90
111563	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	544 32
111576	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	43 76
111585	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	51 41
111587	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	209 94
111594	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	-63 30
111644	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	85 21
111688	2301312120 - 5423000	FM & Lateral Road - Maint/Repairs Equipment	38 95
		Warrant Total:	**3,255.52**

Warrant #: VW 00362613 **Payee Name: SUN COAST RESOURCES INC**

91626881	2301312120 - 5315010	FM & Lateral Road - Oils and Lubricants	7,967 65
		Warrant Total:	**7,967.65**

Warrant #: VW 00362646 **Payee Name: VULCAN CONSTRUCTION MATERIALS LP**

294640	2301312120 - 5353014	FM & Lateral Road - Materials Flexible Base	9,954 28
888498	2301312120 - 5353014	FM & Lateral Road - Materials Flexible Base	9,618 91
		Warrant Total:	**19,573.19**

Warrant #: VW 00362647 **Payee Name: WALMART**

07260	2301312110 - 5310000	Administration - Supplies and Materials	14 88
		Warrant Total:	**14.88**

FUND 2301 TOTAL: 75,573.69

FUND: 2370 Flood Control Fund

Warrant #: VW 00362366 **Payee Name: ACT PIPE AND SUPPLY INC**

722259	2370296100 - 5353013	Flood Control - Materials Culverts/Bridges	2,342 60
724643	2370296100 - 5353013	Flood Control - Materials Culverts/Bridges	939 60
		Warrant Total:	**3,282.20**

Warrant #: VW 00362385 **Payee Name: BFI WASTE SERVICES OF TEXAS LP**

0855000568812	2370296121 - 5481000	Seawall Maintenance - Contract Service	76 68
		Warrant Total:	**76.68**

Warrant #: VW 00362395 **Payee Name: C JOHNNY ON THE SPOT INC**

3045	2370296121 - 5481000	Seawall Maintenance - Contract Service	100 00
		Warrant Total:	**100.00**

Warrant #: VW 00362416 **Payee Name: CLEAR CREEK WATERSHED STEERING**

100112-093013	2370190100 - 5498002	County Engineer - Clear Creek Steering Comm Dues	2,545 00
		Warrant Total:	**2,545.00**

Warrant #: VW 00362466 **Payee Name: GALVESTON CENTRAL APPRAISAL DISTRICT**

1ST QUARTER 2013	2370296100 - 5498001	Flood Control - Membership Appraisal Distrct	3,667 57
		Warrant Total:	**3,667.57**

Warrant #: VW 00362492 **Payee Name: HI-WAY EQUIPMENT COMPANY LLC**

Invoice Number	Account Info		Amount
H44550	2370296100 - 5423000	Flood Control - Maint/Repairs Equipment	317 28
		Warrant Total:	**317.28**

Warrant #: VW 00362601 **Payee Name: SOUTH HOUSTON CONCRETE PIPE INC**

138481	2370296100 - 5353013	Flood Control - Materials Culverts/Bridges	4,170 00
		Warrant Total:	**4,170.00**

Warrant #: VW 00362645 **Payee Name: VILLANUEVA, PAUL**

BUILDING PERMIT	2370000010 - 4412303	General Government - Building Inspector Fees	125 00
		Warrant Total:	**125.00**

FUND 2370 TOTAL: 14,283.73

FUND: 2410 Mosquito Control District Fund

Warrant #: VW 00362368 **Payee Name: AMERICAN TIRE DISTRIBUTORS**

S028821865	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	310 77
		Warrant Total:	**310.77**

Warrant #: VW 00362409 **Payee Name: CITY OF GALVESTON**

11025	2410411100 - 5426251	Mosquito Control District - Rental Storage Facility	360 29
		Warrant Total:	**360.29**

Warrant #: VW 00362497 **Payee Name: HOME DEPOT**

6031968	2410411100 - 5424000	Mosquito Control District - Maint & Repairs Buildings	60 77
		Warrant Total:	**60.77**

Warrant #: VW 00362616 **Payee Name: TASCO AUTO COLOR #23**

2936	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	44 19
3215	2410411100 - 5310000	Mosquito Control District - Supplies and Materials	12 68
		Warrant Total:	**56.87**

FUND 2410 TOTAL: 788.70

FUND: 2501 Child Welfare Fund

Warrant #: VW 00362468 **Payee Name: GALVESTON COUNTY HEALTH DISTRICT**

3651	2501443300 - 5499351	Child Welfare - Client Doc/Off Rec-Birth/Death	207 00
		Warrant Total:	**207.00**

Warrant #: VW 00362615 **Payee Name: TARGET STORES**

0621 111812	2501443300 - 5312100	Child Welfare - Clothing Expense	84 40
0621 111812	2501443300 - 5441301	Child Welfare - Placement Services	47 64
		Warrant Total:	**132.04**

FUND 2501 TOTAL: 339.04

FUND: 2602 Beach Maintenance-Rd & Bridge

Warrant #: VW 00362395 **Payee Name: C JOHNNY ON THE SPOT INC**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
3055	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	120 00
3057	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3058	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	120 00
3059	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3060	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3061	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3062	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3063	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3064	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3065	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3066	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	60 00
3067	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	50 00
3068	2602544042 - 5426181	Beach Maintenance-Rd & Bridge - Rental Porta Cans	50 00
		Warrant Total:	**880.00**

Warrant #: VW 00362465 **Payee Name: G & K SERVICES**

1030235317	2602544042 - 5312101	Beach Maintenance-Rd & Bridge - Uniform Expense	20 09
		Warrant Total:	**20.09**

Warrant #: VW 00362568 **Payee Name: PENINSULA SANITATION SERVICE INC**

60694	2602544042 - 5421400	Beach Maintenance-Rd & Bridge - Refuse Disposal	450 00
60719	2602544042 - 5421400	Beach Maintenance-Rd & Bridge - Refuse Disposal	450 00
60728	2602544042 - 5421400	Beach Maintenance-Rd & Bridge - Refuse Disposal	450 00
60793	2602544042 - 5421400	Beach Maintenance-Rd & Bridge - Refuse Disposal	900 00
		Warrant Total:	**2,250.00**

Warrant #: VW 00362595 **Payee Name: SEASIDE ENTERPRISES INC**

229771	2602544042 - 5310000	Beach Maintenance-Rd & Bridge - Supplies and Materials	191 95
230342	2602544042 - 5310000	Beach Maintenance-Rd & Bridge - Supplies and Materials	25 50
230370	2602544042 - 5310000	Beach Maintenance-Rd & Bridge - Supplies and Materials	24 00
		Warrant Total:	**241.45**

FUND 2602 TOTAL: 3,391.54

FUND: 2824 Adult Probation Community

Warrant #: VW 00362559 **Payee Name: OLALEKAN, JAMES**

SEPT 2012 MLG	2824255111 - 5496301	Special Substance Abuse - Auto Mileage	44 96
		Warrant Total:	**44.96**

Warrant #: VW 00362598 **Payee Name: SKUFCA, RICHARD**

SEPT 2012 MLG	2824255111 - 5496301	Special Substance Abuse - Auto Mileage	47 18
		Warrant Total:	**47.18**

FUND 2824 TOTAL: 92.14

FUND: 2825 Galv Cnty Adult Drug Court Pgm

Warrant #: VW 00362611 **Payee Name: SULLIVANT, WESLEY BENTON**

DRG CRT 103012	2825255117 - 5481000	Galv Cnty Adult Drug Court Pgm - Contract Service	1,000 00

Invoice Number	Account Info		Amount
		Warrant Total:	**1,000.00**
		FUND 2825 TOTAL:	**1,000.00**

FUND: 2841 Juvenile Probation-State Aid

Warrant #: VW 00362375 **Payee Name: ASTIN, JULIE A**

NOV 2012 MLG	2841256111 - 5496301	State Aid Grant A - Auto Mileage	173 72
		Warrant Total:	**173.72**

Warrant #: VW 00362386 **Payee Name: BLOW, ADRIENNE M**

NOV 2012 MLG	2841256111 - 5496301	State Aid Grant A - Auto Mileage	123 55
		Warrant Total:	**123.55**

Warrant #: VW 00362442 **Payee Name: DUNAWAY, LORI**

301107	2841256111 - 5436107	State Aid Grant A - Outpatient Counseling	470 00
		Warrant Total:	**470.00**

Warrant #: VW 00362446 **Payee Name: EFFINGER, ERIKA**

NOV 2012 MLG	2841256111 - 5496301	State Aid Grant A - Auto Mileage	113 78
		Warrant Total:	**113.78**

Warrant #: VW 00362517 **Payee Name: JOSEPH, JUNE**

NOV 2012 MLG	2841256111 - 5496301	State Aid Grant A - Auto Mileage	200 91
		Warrant Total:	**200.91**
		FUND 2841 TOTAL:	**1,081.96**

FUND: 2848 Juv Jst Alt Education Program

Warrant #: VW 00362483 **Payee Name: GULF COAST CENTER**

NOV 2012	2848256143 - 5436107	Commitment Reduction Program C - Outpatient Counseling	9,186 33
		Warrant Total:	**9,186.33**

Warrant #: VW 00362584 **Payee Name: ROWE, WALTER**

112912 LF GROUPS	2848256143 - 5495095	Commitment Reduction Program C - Educational Programs	400 00
		Warrant Total:	**400.00**
		FUND 2848 TOTAL:	**9,586.33**

FUND: 2864 Auto Crimes Task Force Grant

Warrant #: VW 00362410 **Payee Name: CITY OF HITCHCOCK**

OCTOBER 2012	2864211127 - 5100000	Auto Task Force - Salaries	2,736 08
SEPTEMBER 2012	2864211127 - 5100000	Auto Task Force - Salaries	2,299 20
		Warrant Total:	**5,035.28**

Warrant #. VW 00362451 **Payee Name: EXXON CREDIT CARD CENTER**

31225404	2864211127 - 5322010	Auto Task Force - Auto Fuel Expense	151 44

Invoice Number	Account Info		Amount
		Warrant Total:	**151.44**
Warrant #: VW 00362498	**Payee Name: HOME DEPOT**		
8110343	2864211127 - 5310001	Auto Task Force - Depart Supplies-Non Cap FFE	-6 47
8171904	2864211127 - 5310001	Auto Task Force - Depart Supplies-Non Cap FFE	73 64
		Warrant Total:	**67.17**
Warrant #: VW 00362630	**Payee Name: TREASURE ISLAND TROPHIES**		
48075	2864211127 - 5310001	Auto Task Force - Depart Supplies-Non Cap FFE	140 75
		Warrant Total·	**140.75**
Warrant #. VW 00362643	**Payee Name: VERIZON**		
6814037221	2864211127 - 5492100	Auto Task Force - Wireless MCT Service	1,065 72
		Warrant Total:	**1,065.72**
		FUND 2864 TOTAL:	**6,460.36**

FUND: 2892 State Homeland Security Grant

Invoice Number	Account Info		Amount
Warrant #: VW 00362450	**Payee Name: ERIC STEINBERG COMPANY INC.**		
C21823	2892291118 - 5360000	2010 UASI Grant - Equipment/Tools	1,752 92
		Warrant Total:	**1,752.92**
Warrant #: VW 00362602	**Payee Name: SOUTHERN COMPUTER WAREHOUSE**		
IN000059359	2892291118 - 5360000	2010 UASI Grant - Equipment/Tools	1,607 28
		Warrant Total:	**1,607.28**
		FUND 2892 TOTAL:	**3,360.20**

FUND: 2894 EECBG - Program

Invoice Number	Account Info		Amount
Warrant #: VW 00362547	**Payee Name: MESA MECHANICAL INC**		
502161	2894000000 - 2070001	EECBG - Program - Contract Payable Retainage	5,056 35
		Warrant Total:	**5,056.35**
		FUND 2894 TOTAL:	**5,056.35**

FUND: 2915 CDBG Infrastructure Program

Invoice Number	Account Info		Amount
Warrant #: VW 00362427	**Payee Name: CRESCENT ENGINEERING COMPANY INC**		
1 101412	2915000000 - 2070001	CDBG Infrastructure Program - Contract Payable Retainage	-6,582 00
1 101412	2915291012 - 5741607	Generators - Santa Fe HS Generator	131,640 00
		Warrant Total:	**125,058.00**
		FUND 2915 TOTAL:	**125,058.00**

FUND: 2923 Texas Feeding Texans

Warrant #: VW 00362637 **Payee Name. VALLEY SERVICES INC**

Invoice Number	Account Info		Amount
IVC171903	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	221 20
IVC171907	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	429 57
IVC172182	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	534 04
IVC172184	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	859 14
IVC172421	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	559 17
IVC172423	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	669 33
IVC172652	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	325 48
IVC172654	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	459 54
IVC172980	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	518 24
IVC172982	2923451185 - 5314103	Texas Feeding Texans - Food - Supplemental	799 20
		Warrant Total:	**5,374.91**

FUND 2923 TOTAL: 5,374.91

FUND: 2994 Disaster Recovery - Ike

Warrant #: VW 00362404 **Payee Name: CHARNOCK AND COMPANY INC**

3 112612	2994000000 - 2070001	Disaster Recovery - Ike - Contract Payable Retainage	-10,322 97
3 112612	2994299761 - 5481000	Ft Travis Roadway/Walkway - Contract Service	206,459 40
		Warrant Total:	**196,136.43**

Warrant #: VW 00362460 **Payee Name: FORD NASSEN & BALDWIN PC**

54368	2994299521 - 5481000	Lewellyn Building - Contract Service	424 00
		Warrant Total:	**424.00**

Warrant #: VW 00362501 **Payee Name: HUITT-ZOLLARS INC**

212230301	2994299521 - 5481000	Lewellyn Building - Contract Service	3,000 00
		Warrant Total:	**3,000.00**

FUND 2994 TOTAL: 199,560.43

FUND: 3120 Limited Tax Cnty Bldg Bds Sr09

Warrant #: VW 00362512 **Payee Name: JOHN A WALKER ROOFING CO INC**

7 101712	3120000000 - 2070001	Limited Tax Cnty Bldg Bds Sr09 - Contract Payable Retaina	13,763 49
		Warrant Total:	**13,763.49**

Warrant #: VW 00362547 **Payee Name: MESA MECHANICAL INC**

502161	3120000000 - 2070001	Limited Tax Cnty Bldg Bds Sr09 - Contract Payable Retaina	5,513 65
		Warrant Total:	**5,513.65**

Warrant #: VW 00362548 **Payee Name: MITCHELL CHUOKE PLUMBING CO**

14 113012	3120000000 - 2070001	Limited Tax Cnty Bldg Bds Sr09 - Contract Payable Retaina	35,455 61
		Warrant Total:	**35,455.61**

FUND 3120 TOTAL: 54,732.75

FUND: 3310 Pass Thru Toll Rv Lt Tx BdSr07

Warrant #: VW 00362432 **Payee Name: DANNENBAUM ENGINEERING CORP**

Invoice Number	Account Info		Amount
4157XX/66/11	3310315162 - 5731015	Pass Thru Toll Rv LtTxBdSr07 - 646 Pass Thru Toll Rd Proj	52,900 00
		Warrant Total:	**52,900.00**

FUND 3310 TOTAL: 52,900.00

FUND: 3312 Unltd Tax Road Bonds Sr 2009

Warrant #: VW 00362392 **Payee Name: BROWN & GAY ENGINEERS, INC.**

1112195	3312312111 - 5731173	Non-County Roads - 6th Street	14,700 43
		Warrant Total:	**14,700.43**

Warrant #: VW 00362574 **Payee Name: R W LUCAS CONSTRUCTION LLC**

2 113012	3312000000 - 2070001	Unltd Tax Road Bonds Sr 2009 - Contract Payable Retainage	-21,238 13
2 113012	3312312111 - 5731133	Non-County Roads - Stewart Rd-Cove View to 7mi	424,762 50
9 113012	3312000000 - 2070001	Unltd Tax Road Bonds Sr 2009 - Contract Payable Retainage	-10,316 97
9 113012	3312312111 - 5731132	Non-County Roads - Stewart Rd-75th to Cove View	206,339 34
		Warrant Total:	**599,546.74**

FUND 3312 TOTAL: 614,247.17

FUND: 6123 Group,Wrks'Comp,Unemplmnt Ins

Warrant #: VW 00362397 **Payee Name: CAREHERE LLC**

8580	6123155021 - 5417208	Group Insurance - CareHere Supplemental Fee	34,555 68
8728	6123155021 - 5417208	Group Insurance - CareHere Supplemental Fee	18,462 46
8854	6123155021 - 5417207	Group Insurance - CareHere Program Fee	22,747 00
		Warrant Total:	**75,765.14**

FUND 6123 TOTAL: 75,765.14

FUND: 6130 Self Insurance Reserve Fund

Warrant #: VW 00362622 **Payee Name: TEXAS LAWYERS INSURANCE EXCHANGE**

010113-010114	6130151431 - 5491701	General Self Insurance - Insurance Emp Blanket Bonds	1,500 00
JAN 2012-2013	6130151431 - 5491701	General Self Insurance - Insurance Emp Blanket Bonds	1,500 00
JAN 2013-2014	6130151431 - 5491701	General Self Insurance - Insurance Emp Blanket Bonds	1,500 00
JAN 2013-JAN 14	6130151431 - 5491701	General Self Insurance - Insurance Emp Blanket Bonds	1,500 00
		Warrant Total:	**6,000.00**

FUND 6130 TOTAL: 6,000.00

FUND: 7605 Escrow Fund

Warrant #: VW 00362396 **Payee Name: CALLAN, WILDA**

11CR3075 092412	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	500 00
		Warrant Total:	**500.00**

Warrant #· VW 00362429 **Payee Name: CYNTHIA SAVOIE & CHRISTOPHER WILLIAMS**

12CR0540 102512	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	24 00

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
		Warrant Total:	**24.00**
Warrant #: VW 00362438	**Payee Name: DICKINSON BBQ**		
317197 082012	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	124 83
		Warrant Total:	**124.83**
Warrant #: VW 00362473	**Payee Name: GARIBAZDI, CAMIE**		
325314 082412	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	60 00
		Warrant Total:	**60.00**
Warrant #: VW 00362474	**Payee Name: GARIBAZDI, CARNIE**		
325314 082412	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	60 00
		Warrant Total:	**60.00**
Warrant #: VW 00362481	**Payee Name: GREER HERZ & ADAMS LLP**		
10CV4247	7605000000 - 2295016	Escrow Fund - Proceed Held for Owner	6,750 00
		Warrant Total:	**6,750.00**
Warrant #: VW 00362486	**Payee Name: HAGLUND LAW FIRM**		
320843 102612	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	177 50
320843A 102612	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	87 50
		Warrant Total:	**265.00**
Warrant #: VW 00362491	**Payee Name: HI WAY INN**		
323487 071912	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	80 00
		Warrant Total:	**80.00**
Warrant #: VW 00362493	**Payee Name: HICKS, GREGORY**		
324950 102912	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	500 00
		Warrant Total:	**500.00**
Warrant #: VW 00362511	**Payee Name: JCPENNY**		
321806 062512	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	125 00
		Warrant Total:	**125.00**
Warrant #· VW 00362532	**Payee Name: LEYRA, AMANDA**		
323580 102912	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	30 00
		Warrant Total:	**30.00**
Warrant #: VW 00362534	**Payee Name: LISTER, LAUITA**		
315430 102912	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	175 00
		Warrant Total:	**175.00**
Warrant #: VW 00362549	**Payee Name: MIZE, JORDAN**		
12CR0350 101112	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	2,000 00
		Warrant Total:	**2,000.00**
Warrant #: VW 00362569	**Payee Name: PERKINS, REBECCA**		
327147 103012	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	300 00
		Warrant Total:	**300.00**
Warrant #: VW 00362600	**Payee Name: SOLLENBERGER, STEVEN**		

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Invoice Number	Account Info		Amount
323691 060512	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	44 00
		Warrant Total:	**44.00**
Warrant #: VW 00362619		**Payee Name: TEXAS DEPARTMENT OF HEALTH AND HUMAN**	
09CR2785 091812	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	60 00
		Warrant Total:	**60.00**
Warrant #: VW 00362621		**Payee Name: TEXAS DEPARTMENT OF PUBLIC SAFETY**	
11CR3065 103112	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	12 00
		Warrant Total:	**12.00**
Warrant #: VW 00362623		**Payee Name: TEXAS PARKS AND WILDLIFE DEPT**	
NOV 2012 JP1	7605000000 - 2476007	Escrow Fund - Tx Parks & Wildlife Fines 85%	4,279 00
NOV 2012 JP5	7605000000 - 2476007	Escrow Fund - Tx Parks & Wildlife Fines 85%	826 20
		Warrant Total:	**5,105.20**
Warrant #: VW 00362647		**Payee Name: WALMART**	
221336 102512	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	10 00
		Warrant Total:	**10.00**
Warrant #: VW 00362648		**Payee Name: WASSERMAN, TINA**	
321704 102212	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	106 00
		Warrant Total:	**106.00**
Warrant #: VW 00362651		**Payee Name: WESTON, JONNA**	
10CV4247 WRIT EX	7605000000 - 2295016	Escrow Fund - Proceed Held for Owner	2,011 78
		Warrant Total:	**2,011.78**
Warrant #: VW 00362654		**Payee Name: WILLIAMS, BRIAN**	
326869 091212	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	222 40
		Warrant Total:	**222.40**
Warrant #: VW 00362657		**Payee Name: WOMENS CRISIS CENTER**	
323987 060712	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	100 00
326342 091712	7605000000 - 2473030	Escrow Fund - CO Crt Restit-Due to Victims	100 00
		Warrant Total.	**200.00**
		FUND 7605 TOTAL:	**18,765.21**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Summary of All Funds

Fund	Amount
1101 General Fund	1,597,156 68
2211 Law Library	2 07
2212 Mediation Services Prog Fund	1,168 00
2216 Probate Court Contributions Fd	2,720 00
2220 Adult Probation Fund	1,167 48
2230 Juvenile Justice Fund	11,495 17
2301 Road & Bridge Fund	75,573 69
2370 Flood Control Fund	14,283 73
2410 Mosquito Control District Fund	788 70
2501 Child Welfare Fund	339 04
2602 Beach Maintenance-Rd & Bridge	3,391 54
2824 Adult Probation Community	92 14
2825 Galv Cnty Adult Drug Court Pgm	1,000 00
2841 Juvenile Probation-State Aid	1,081 96
2848 Juv Jst Alt Education Program	9,586 33
2864 Auto Crimes Task Force Grant	6,460 36
2892 State Homeland Security Grant	3,360 20
2894 EECBG - Program	5,056 35
2915 CDBG Infrastructure Program	125,058 00
2923 Texas Feeding Texans	5,374 91
2994 Disaster Recovery - Ike	199,560 43
3120 Limited Tax Cnty Bldg Bds Sr09	54,732 75
3310 Pass Thru Toll Rv Lt Tx BdSr07	52,900 00
3312 Unltd Tax Road Bonds Sr 2009	614,247 17
6123 Group,Wrks'Comp,Unemplmnt Ins	75,765 14
6130 Self Insurance Reserve Fund	6,000 00
7605 Escrow Fund	18,765 21
Grand Total:	**2,887,127.05**

Galveston County, Texas

List of County Auditor's Approved Claims For Voucher Warrants Dated 12/11/2012

Approved Order to pay by Commissioners Court this day December 11, 2012

Cliff Billingsley, County Auditor

Mark A. Henry, Galveston County Judge

absent

Patrick Doyle, Galveston County Commissioner, Pct 1

Kevin D. O'Brien, Galveston County Commissioner, Pct 2

abstained

Stephen D. Holmes, Galveston County Commissioner, Pct 3

ATTEST:

Dwight D. Sullivan, County Clerk

Kenneth Clark, Galveston County Commissioner, Pct 4

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362364	702471	ABL MANAGEMENT INC	12/11/12	21,321 96	MW	OH		
A200362365	715049	ABRAHAMS, NIDUS	12/11/12	125 00	MW	OH	RE	
A200362366	700616	ACT PIPE AND SUPPLY INC	12/11/12	3,282 20	MW	OH		
A200362367	706819	ALPHA CORP	12/11/12	17 275 00	MW	OH		
A200362368	710916	AMERICAN TIRE DISTRIBUTORS	12/11/12	310 77	MW	OH		
A200362369	709811	AMERIWASTE OF TEXAS LLC	12/11/12	167 59	MW	OH		
A200362370	702478	AMERSON, RODGER DAN	12/11/12	437 50	MW	OH	B7	
A200362371	715048	ARMET, JAMES	12/11/12	100 00	MW	OH	RE	
A200362372	714624	ARREDONDO, LINDSAY	12/11/12	126 64	MW	OH	B7	
A200362373	714943	ARRIAGA, MIRNA	12/11/12	249 20	MW	OH		
A200362374	431891	ASHTON PARK APT	12/11/12	100 00	MW	OH	RE	
A200362375	704093	ASTIN, JULIE A	12/11/12	173 72	MW	OH		
A200362376	709331	B & B ICE INC	12/11/12	283 60	MW	OH		
A200362377	021030	BACLIFF BUILDERS SUPPLY INC	12/11/12	29 52	MW	OH		
A200362378	021329	BACLIFF MUNICIPAL UTILITY DIS	12/11/12	126 12	MW	OH		
A200362379	710813	BAKER, ETHAN	12/11/12	300 00	MW	OH	B7	
A200362380	709910	BARNETT, STEPHANIE B	12/11/12	3,016 00	MW	OH	B7	
A200362381	021360	BAY OIL CO CORP	12/11/12	26,379 67	MW	OH		
A200362382	401969	BENNETT JAMES M	12/11/12	5,824 75	MW	OH	B7	
A200362383	403751	BERARDINELLI CORREIA, SHAUNA	12/11/12	418 00	MW	OH	B7	
A200362384	406081	BETA TECHNOLOGY INC	12/11/12	1,475 00	MW	OH		
A200362385	700686	BFI WASTE SERVICES OF TEXAS L	12/11/12	448 26	MW	OH		
A200362386	700014	BLOW, ADRIENNE M	12/11/12	123 55	MW	OH		
A200362387	712882	BOB J JOHNSON & ASSOCIATES	12/11/12	1,490 00	MW	OH		
A200362388	708995	BOLIVAR PENINSULA SPECIAL UTI	12/11/12	1,353 49	MW	OH		
A200362389	704349	BOORSTEIN, BARRY	12/11/12	1,998 75	MW	OH	B7	

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362390	702559	BRIGGS, LYNETTE	12/11/12	2,535 80	MW	OH	B7	
A200362391	024240	BROOKSIDE EQUIP SALES INC	12/11/12	565 25	MW	OH		
A200362392	711498	BROWN & GAY ENGINEERS, INC	12/11/12	14 700 43	MW	OH		
A200362393	709370	BROWN, ADAM BANKS	12/11/12	448 50	MW	OH	B7	
A200362394	714936	BRYANT, ELIZABETH	12/11/12	49 33	MW	OH		
A200362395	701322	C JOHNNY ON THE SPOT INC	12/11/12	1,080 00	MW	OH		
A200362396	714604	CALLAN, WILDA	12/11/12	500 00	MW	OH		
A200362397	708822	CAREHERE LLC	12/11/12	75,765 14	MW	OH		
A200362398	409832	CARELTON COURTYARD APTS	12/11/12	177 10	MW	OH	RE	
A200362399	706200	CASTILLO, MARK A	12/11/12	1,235 00	MW	OH	B7	
A200362400	712544	CAVAZOS, LUIS A	12/11/12	137 00	MW	OH	RE	
A200362401	706933	CEDRICK L MUHAMMAD PC	12/11/12	5,622 50	MW	OH	B7	
A200362402	407782	CENTERPOINT ENERGY	12/11/12	763 10	MW	OH		
A200362403	702429	CHAIR TAI CHI	12/11/12	300 00	MW	OH		
A200362404	703007	CHARNOCK AND COMPANY INC	12/11/12	196,136 43	MW	OH		
A200362405	410729	CHERRY CRUSHED CONCRETE INC	12/11/12	14,183 25	MW	OH		
A200362406	032326	CHILDRENS CENTER INC, THE	12/11/12	3,333 33	MW	OH		
A200362407	707377	CIRRO ENERGY	12/11/12	120 93	MW	OH		
A200362408	033985	CITY OF GALVESTON	12/11/12	125 00	MW	OH		
A200362409	033985	CITY OF GALVESTON	12/11/12	360 29	MW	OH		
A200362410	033027	CITY OF HITCHCOCK	12/11/12	5,035 28	MW	OH		
A200362411	033209	CITY OF LA MARQUE	12/11/12	377 22	MW	OH		
A200362412	700433	CITY OF LAMARQUE	12/11/12	119 00	MW	OH		
A200362413	403085	CITY OF TEXAS CITY	12/11/12	442 67	MW	OH		
A200362414	033290	CLARK, DIANE	12/11/12	195 00	MW	OH	B7	
A200362415	714708	CLASSIC AUTOPLEX F-T LLC	12/11/12	7,027 88	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362416	711937	CLEAR CREEK WATERSHED STEERIN	12/11/12	2,545 00	MW	OH		
A200362417	712273	CLEMENTS, CLYDE WESLEY	12/11/12	390 00	MW	OH	B7	
A200362418	710180	CLEVELAND ASPHALT PRODUCTS IN	12/11/12	11 544 11	MW	OH		
A200362419	709399	COBURN SUPPLY COMPANY INC	12/11/12	32 28	MW	OH		
A200362420	702713	COCHRAN, WINSTON E JR	12/11/12	666 25	MW	OH	B7	
A200362421	034223	COLTZER, ROBERT G	12/11/12	867 10	MW	OH	B7	
A200362422	711377	CONMED INC	12/11/12	274 455 33	MW	OH		
A200362423	705337	CONZ, GLORIA	12/11/12	450 00	MW	OH		
A200362424	400896	COOK, DAVID	12/11/12	317 50	MW	OH	B7	
A200362425	407051	COUNTY AND DISTRICT CLERKS	12/11/12	105 00	MW	OH		
A200362426	404940	COX, ELAINE	12/11/12	79 37	MW	OH		
A200362427	709896	CRESCENT ENGINEERING COMPANY	12/11/12	125,058 00	MW	OH		
A200362428	407552	CRISS, SUSAN	12/11/12	43 73	MW	OH		
A200362429	714820	CYNTHIA SAVOIE & CHRISTOPHER	12/11/12	24 00	MW	OH		
A200362430	704992	DAHLENBURG, MICHAEL L	12/11/12	1,300 00	MW	OH	B7	
A200362431	704992	DAHLENBURG, MICHAEL L	12/11/12	750 00	MW	OH	B7	
A200362432	400693	DANNENBAUM ENGINEERING CORP	12/11/12	52,900 00	MW	OH		
A200362433	710679	DAVISON, AMRI	12/11/12	144 00	MW	OH	B7	
A200362434	713177	DIAZ, DEBBIE	12/11/12	293 60	MW	OH		
A200362435	706153	DIAZ, MARK A	12/11/12	2,466 25	MW	OH	B7	
A200362436	710008	DICKEY, ROCHELL	12/11/12	97 68	MW	OH		
A200362437	713268	DICKEY, TAMYRA	12/11/12	75 48	MW	OH		
A200362438	714961	DICKINSON BBQ	12/11/12	124 83	MW	OH		
A200362439	704331	DIRECT ENERGY LP	12/11/12	120 44	MW	OH		
A200362440	708361	DRAGONY, RACHEL ANN	12/11/12	1,137 00	MW	OH	B7	
A200362441	715067	DRUSS REAL ESTATE	12/11/12	125 00	MW	OH	RE	

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362442	712144	DUNAWAY, LORI	12/11/12	470 00	MW	OH		
A200362443	714656	DUNTEN LAW FIRM	12/11/12	14 00	MW	OH		
A200362444	713675	EDDY, CYNTHIA	12/11/12	105 33	MW	OH		
A200362445	713857	EDMONSON, SUSAN	12/11/12	750 00	MW	OH	B7	
A200362446	707318	EFFINGER, ERIKA	12/11/12	113 78	MW	OH		
A200362447	714274	ELLIS, SABRINA E	12/11/12	150 00	MW	OH	B7	
A200362448	715019	EMERGENCY MANAGEMENT SERVICES	12/11/12	192 85	MW	OH		
A200362449	405028	ENTERGY	12/11/12	2,595 77	MW	OH		
A200362450	715059	ERIC STEINBERG COMPANY INC	12/11/12	1,752 92	MW	OH		
A200362451	403437	EXXON CREDIT CARD CENTER	12/11/12	151 44	MW	OH		
A200362452	410365	FAUS SALVADOR	12/11/12	2 200 00	MW	OH	B7	
A200362453	062067	FEDEX CORP	12/11/12	64 75	MW	OH		
A200362454	711019	FINEGAN, SAMUEL K	12/11/12	195 00	MW	OH	B7	
A200362455	703810	FIRST CHOICE POWER	12/11/12	182 03	MW	OH		
A200362456	709477	FISHER, DENA LAURA	12/11/12	682 50	MW	OH	B7	
A200362457	710210	FLEETCOR TECHNOLOGIES DBA CHE	12/11/12	227 44	MW	OH		
A200362458	712917	FLEMING LAW FIRM	12/11/12	195 00	MW	OH	B7	
A200362459	410304	FOLEY, MARY ELIZABETH	12/11/12	4,091 16	MW	OH	B7	
A200362460	712382	FORD NASSEN & BALDWIN PC	12/11/12	424 00	MW	OH		
A200362461	713959	FOXHOVEN INC	12/11/12	100,000 00	MW	OH		
A200362462	713707	FRYE STEIDLEY OAKS AND BENAVI	12/11/12	260 00	MW	OH	B7	
A200362463	409636	FUHR, LATICIA D	12/11/12	540 00	MW	OH	B7	
A200362464	704440	FULK GEORGE BYRON	12/11/12	3,591 25	MW	OH	B7	
A200362465	704625	G & K SERVICES	12/11/12	364 72	MW	OH		
A200362466	071787	GALVESTON CENTRAL APPRAISAL D	12/11/12	257,612 84	MW	OH		
A200362467	409927	GALVESTON COUNTY ECONOMIC ALL	12/11/12	35,000 00	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362468	431945	GALVESTON COUNTY HEALTH DISTR	12/11/12	156,457 00	MW	OH		
A200362469	406195	GALVESTON COUNTY SHERIFF'S DE	12/11/12	900 00	MW	OH		
A200362470	071175	GALVESTON COUNTY WCID #1	12/11/12	403 36	MW	OH		
A200362471	071407	GALVESTON COUNTY WCID #8	12/11/12	636 75	MW	OH		
A200362472	071746	GARATE, FAITH E	12/11/12	65 49	MW	OH		
A200362473	715007	GARIBAZDI, CAMIE	12/11/12	60 00	MW	OH		
A200362474	714979	GARIBAZDI, CARNIE	12/11/12	60 00	MW	OH		
A200362475	701571	GELB, JEFFREY	12/11/12	1 803 75	MW	OH	B7	
A200362476	705919	GHG CORPORATION	12/11/12	475 00	MW	OH		
A200362477	703986	GILLMAN, MICHAEL DAVID	12/11/12	373 75	MW	OH	B7	
A200362478	708298	GOLDSBERRY & ASSOCIATES PLLC	12/11/12	130 00	MW	OH	B7	
A200362479	708989	GRADONI & ASSOCIATES	12/11/12	884 43	MW	OH	B7	
A200362480	709134	GRAHAM CARMEN A	12/11/12	97 50	MW	OH	B7	
A200362481	715073	GREER HERZ & ADAMS LLP	12/11/12	6,750 00	MW	OH	B7	
A200362482	703785	GULF COAST AEROBIC SERVICES	12/11/12	2,165 00	MW	OH		
A200362483	400782	GULF COAST CENTER	12/11/12	16,415 08	MW	OH		
A200362484	400782	GULF COAST CENTER	12/11/12	35,500 00	MW	OH		
A200362485	701592	GULF COAST CENTURY	12/11/12	295 00	MW	OH		
A200362486	714879	HAGLUND LAW FIRM	12/11/12	265 00	MW	OH		
A200362487	715046	HARBOR OAKS APARTMENTS	12/11/12	100 00	MW	OH	RE	
A200362488	406612	HERNANDEZ CARLOS	12/11/12	167 06	MW	OH		
A200362489	710047	HERNANDEZ, SUSAN	12/11/12	34 97	MW	OH		
A200362490	403480	HERRING JR, MATTHEW	12/11/12	111 56	MW	OH		
A200362491	715005	HI WAY INN	12/11/12	80 00	MW	OH		
A200362492	710193	HI-WAY EQUIPMENT COMPANY LLC	12/11/12	411 30	MW	OH		
A200362493	715008	HICKS, GREGORY	12/11/12	500 00	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362494	083501	HINDMAN, MARGARET	12/11/12	696 25	MW	OH	B7	
A200362495	083501	HINDMAN, MARGARET	12/11/12	100 00	MW	OH	B7	
A200362496	710709	HOGAN DWANETTE	12/11/12	499 50	MW	OH		
A200362497	409105	HOME DEPOT	12/11/12	60 77	MW	OH		
A200362498	409105	HOME DEPOT	12/11/12	67 17	MW	OH		
A200362499	084236	HOUSTON EQUIPMENT COMPANY	12/11/12	184 00	MW	OH		
A200362500	701822	HTI LTD	12/11/12	270 56	MW	OH		
A200362501	709352	HUITT-ZOLLARS INC	12/11/12	3,000 00	MW	OH		
A200362502	707488	IBRAHIM & ELLIOTT LLP	12/11/12	877 50	MW	OH	B7	
A200362503	707488	IBRAHIM & ELLIOTT LLP	12/11/12	276 25	MW	OH	B7	
A200362504	703727	INFOSAT COMMUNICATIONS	12/11/12	43 60	MW	OH		
A200362505	713976	INTECH SOUTHWEST SERVICE LLC	12/11/12	770 00	MW	OH		
A200362506	714452	IRMITER, MARITA	12/11/12	487 50	MW	OH	B7	
A200362507	712730	JACK O'BOYLE & ASSOCIATES	12/11/12	5 00	MW	OH		
A200362508	407630	JACKSON, CALVIN C	12/11/12	227 50	MW	OH	B7	
A200362509	712357	JACKSON, ERIN LARENA	12/11/12	718 50	MW	OH	B7	
A200362510	408547	JALUFKA, GAIL	12/11/12	3 825 00	MW	OH	B7	
A200362511	714655	JCPENNY	12/11/12	125 00	MW	OH		
A200362512	410096	JOHN A WALKER ROOFING CO INC	12/11/12	13,763 49	MW	OH		
A200362513	706627	JOHNSON CHERYL E	12/11/12	37 89	MW	OH		
A200362514	701979	JONES LAW FIRM	12/11/12	481 00	MW	OH	B7	
A200362515	705849	JONES, CHARLOTTE	12/11/12	160 40	MW	OH		
A200362516	701243	JONES, STACEY LEE	12/11/12	975 00	MW	OH	B7	
A200362517	400520	JOSEPH, JUNE	12/11/12	200 91	MW	OH		
A200362518	714824	KASEYA US SALES LLC	12/11/12	42 850 00	MW	OH		
A200362519	705333	KASSBOHRER ALL TERRAIN VEHICL	12/11/12	3,775 93	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362520	704638	KAUFMANN, CHARLES R	12/11/12	352 50	MW	OH	B7	
A200362521	405344	KENNIE, MARGARET	12/11/12	530 00	MW	OH	B7	
A200362522	712256	KIESCHNICK, JONATHAN C	12/11/12	438 75	MW	OH	B7	
A200362523	700067	KILGORE, JEFFREY A	12/11/12	312 50	MW	OH	B7	
A200362524	711352	LAW OFFICE OF CHRISTOPHER JOH	12/11/12	750 00	MW	OH	B7	
A200362525	711176	LAW OFFICE OF CS HALL PLLC	12/11/12	1,557 00	MW	OH	B7	
A200362526	712266	LAW OFFICE OF KYLE VERRET PLL	12/11/12	279 50	MW	OH	B7	
A200362527	711543	LAW OFFICE OF MICHAEL RUSSO P	12/11/12	585 00	MW	OH	B7	
A200362528	403281	LAW OFFICES OF DAVID P WALKER	12/11/12	175 50	MW	OH	B7	
A200362529	713813	LAWYERS TITLE	12/11/12	204 00	MW	OH		
A200362530	705777	LEATHERS, BILL	12/11/12	406 25	MW	OH	B7	
A200362531	122275	LEWIS, VICKI	12/11/12	1,200 00	MW	OH	B7	
A200362532	715010	LEYRA, AMANDA	12/11/12	30 00	MW	OH		
A200362533	707090	LINEBARGER GOGGAN BLAIR & SAM	12/11/12	4,361 08	MW	OH		
A200362534	715009	LISTER LAUITA	12/11/12	175 00	MW	OH		
A200362535	713742	LSI TITLE AGENCY INC	12/11/12	172 00	MW	OH		
A200362536	711912	M BRUCE FORT PC	12/11/12	2,300 00	MW	OH	B7	
A200362537	704046	MABRY HERBECK & ROBERTS	12/11/12	5 00	MW	OH		
A200362538	709125	MALONEY & PARKS LLP	12/11/12	828 75	MW	OH	B7	
A200362539	407300	MARION WILLIAM DAVID	12/11/12	234 00	MW	OH	B7	
A200362540	704124	MARTIN THOMAS A	12/11/12	975 00	MW	OH	B7	
A200362541	705312	MARTY'S CITY AUTO INC	12/11/12	818 00	MW	OH		
A200362542	403257	MASSEY, JULIE	12/11/12	7 00	MW	OH		
A200362543	400252	MAXWELL, BONITA G	12/11/12	189 81	MW	OH		
A200362544	404930	MCCARNES, LOIS	12/11/12	7 507 50	MW	OH	B7	
A200362545	714747	MCKENZIE, MARION	12/11/12	289 28	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362546	136689	MCLEOD ALEXANDER POWEL & APFF	12/11/12	601 25	MW	OH	B7	
A200362547	704761	MESA MECHANICAL INC	12/11/12	10,570 00	MW	OH		
A200362548	032250	MITCHELL CHUOKE PLUMBING CO	12/11/12	35,455 61	MW	OH		
A200362549	715002	MIZE, JORDAN	12/11/12	2,000 00	MW	OH		
A200362550	714834	MIZE, MINCES & CLARK P C	12/11/12	9,553 62	MW	OH		
A200362551	710357	MORRIS, PHILLIP W	12/11/12	130 00	MW	OH	B7	
A200362552	405987	MUELLER, DINAH J	12/11/12	264 61	MW	OH	B7	
A200362553	715088	MURRIE, ERNEST	12/11/12	336 05	MW	OH		
A200362554	714335	NAGORSKI PATRICK E	12/11/12	540 00	MW	OH	B7	
A200362555	705888	NAJER, MAURICE	12/11/12	136 50	MW	OH	B7	
A200362556	714434	NELSON TAD A	12/11/12	4,728 75	MW	OH	B7	
A200362557	713099	NGUYEN JASON	12/11/12	164 69	MW	OH		
A200362558	400707	NICKELSON, LINDA J	12/11/12	455 00	MW	OH	B7	
A200362559	713699	OLALEKAN, JAMES	12/11/12	44 96	MW	OH		
A200362560	705252	ONEOK INC	12/11/12	90 70	MW	OH		
A200362561	401873	OTIS ELEVATOR CO CORP	12/11/12	5,827 68	MW	OH		
A200362562	VOID CONTINU	Void - Continued Stub	12/11/12	0 00	VM	OH		Void
A200362563	400105	OWEN ELECTRIC SUPPLY	12/11/12	5 156 34	MW	OH		
A200362564	705290	PALMER, MICHAEL	12/11/12	2,128 75	MW	OH	B7	
A200362565	409788	PAT'S DEMOLITION AND DEBRIS R	12/11/12	76 50	MW	OH		
A200362566	715063	PATTERSON GAYLE L	12/11/12	126 64	MW	OH	B7	
A200362567	714182	PENINSULA EMERGENCY MEDICAL S	12/11/12	197,812 50	MW	OH		
A200362568	705136	PENINSULA SANITATION SERVICE	12/11/12	2,250 00	MW	OH		
A200362569	715011	PERKINS, REBECCA	12/11/12	300 00	MW	OH		
A200362570	709286	PESTMASTER SERVICES INC	12/11/12	1 416 20	MW	OH		
A200362571	163014	PINE FOREST APARTMENTS	12/11/12	106 36	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362572	405621	PORT SUPPLY	12/11/12	454 52	MW	OH		
A200362573	705753	QUINTANILLA, DONNIE	12/11/12	1,140 00	MW	OH	B7	
A200362574	712886	R W LUCAS CONSTRUCTION LLC	12/11/12	599,546 74	MW	OH		
A200362575	712364	RAMIREZ VICTORIA	12/11/12	173 72	MW	OH		
A200362576	712933	RAYAS, LADISLOA	12/11/12	100 00	MW	OH	RE	
A200362577	706403	REED ELSEVIER INC	12/11/12	2 07	MW	OH		
A200362578	715094	REGIONAL PUBLIC DEFENDER FOR	12/11/12	79 688 00	MW	OH		
A200362579	714896	REITER, PUTNAM K	12/11/12	525 15	MW	OH	EX	
A200362580	715065	RNCM PROPERTY MANAGEMENT LLC	12/11/12	100 00	MW	OH		
A200362581	184572	ROMCO INC	12/11/12	37 46	MW	OH		
A200362582	706328	ROSEMON, VANESSA R	12/11/12	232 55	MW	OH		
A200362583	184069	ROSENBERG LIBRARY	12/11/12	90,166 66	MW	OH		
A200362584	713415	ROWE, WALTER	12/11/12	600 00	MW	OH		
A200362585	714279	RUBINO, ANTHONY J	12/11/12	600 00	MW	OH		
A200362586	710577	RUSSELL GREG	12/11/12	812 50	MW	OH	B7	
A200362587	403785	SAENZ, ALVIN N	12/11/12	487 50	MW	OH	B7	
A200362588	191106	SAN LEON MUNICIPAL UTILITY DI	12/11/12	89 87	MW	OH		
A200362589	400133	SANDERS, EARNESTINE LYNCH	12/11/12	53 28	MW	OH		
A200362590	191023	SANTA FE AUTO PARTS INC	12/11/12	3,335 99	MW	OH		
A200362591	713316	SARGENT, WILLIAM K	12/11/12	194 25	MW	OH		
A200362592	702664	SCHWAB, TAYLOR	12/11/12	1,164 50	MW	OH	B7	
A200362593	701888	SCOTT, SHELBY	12/11/12	1,383 75	MW	OH	B7	
A200362594	711834	SEARS & BENNETT LLP	12/11/12	1,811 25	MW	OH	B7	
A200362595	192146	SEASIDE ENTERPRISES INC	12/11/12	241 45	MW	OH		
A200362596	192161	SHATTUCK, BOB	12/11/12	2,720 00	MW	OH	B7	
A200362597	134221	SHEARN MOODY PLAZA CORP	12/11/12	53,118 39	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362598	706313	SKUFCA, RICHARD	12/11/12	47 18	MW	OH		
A200362599	402266	SMITH PATRICIA	12/11/12	62 70	MW	OH		
A200362600	715012	SOLLENBERGER, STEVEN	12/11/12	44 00	MW	OH		
A200362601	701589	SOUTH HOUSTON CONCRETE PIPE I	12/11/12	4 170 00	MW	OH		
A200362602	701326	SOUTHERN COMPUTER WAREHOUSE	12/11/12	1,607 28	MW	OH		
A200362603	707013	STACEY VALDEZ & ASSOCIATES PL	12/11/12	390 00	MW	OH	B7	
A200362604	409104	STEVE'S WAREHOUSE TIRES	12/11/12	15 00	MW	OH		
A200362605	194514	STEVENS, MARK W	12/11/12	950 00	MW	OH	B7	
A200362606	709091	STICKLER, TOMMY JAMES	12/11/12	1,105 00	MW	OH	B7	
A200362607	708715	STREAM ENERGY	12/11/12	533 50	MW	OH		
A200362608	702839	SUHLER DAVID	12/11/12	996 00	MW	OH	B7	
A200362609	704108	SULLIVAN, DWIGHT D	12/11/12	266 10	MW	OH		
A200362610	702386	SULLIVAN, KIMBERLY A	12/11/12	1,132 77	MW	OH		
A200362611	711452	SULLIVANT, WESLEY BENTON	12/11/12	1,000 00	MW	OH	B7	
A200362612	712040	SUMMERLIN LAW FIRM PLLC	12/11/12	1,738 75	MW	OH	B7	
A200362613	405722	SUN COAST RESOURCES INC	12/11/12	7,967 65	MW	OH		
A200362614	712883	SUNFLOWER FOODS LTD	12/11/12	238 60	MW	OH		
A200362615	406738	TARGET STORES	12/11/12	132 04	MW	OH		
A200362616	714939	TASCO AUTO COLOR #23	12/11/12	56 87	MW	OH		
A200362617	410529	TAYLOR, ANGELA M	12/11/12	211 25	MW	OH	B7	
A200362618	405881	TEXAS AGRILIFE EXTENSION	12/11/12	480 00	MW	OH		
A200362619	713930	TEXAS DEPARTMENT OF HEALTH AN	12/11/12	60 00	MW	OH		
A200362620	401245	TEXAS DEPARTMENT OF PUBLIC SA	12/11/12	125 00	MW	OH		
A200362621	401245	TEXAS DEPARTMENT OF PUBLIC SA	12/11/12	12 00	MW	OH		
A200362622	405297	TEXAS LAWYERS INSURANCE EXCHA	12/11/12	6,000 00	MW	OH		
A200362623	202267	TEXAS PARKS AND WILDLIFE DEPT	12/11/12	5,105 20	MW	OH		

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362624	406578	TEXAS STATE UNIVERSITY SAN MA	12/11/12	600 00	MW	OH		
A200362625	710228	THOMPSON, SHELLY	12/11/12	179 27	MW	OH		
A200362626	714196	TORRES, JUAN	12/11/12	519 00	MW	OH		
A200362627	700583	TORRES, ROBERTO	12/11/12	195 00	MW	OH	B7	
A200362628	700583	TORRES, ROBERTO	12/11/12	65 00	MW	OH	B7	
A200362629	700925	TRAVIS COUNTY	12/11/12	4,239 00	MW	OH		
A200362630	204479	TREASURE ISLAND TROPHIES	12/11/12	140 75	MW	OH		
A200362631	710003	U S ENERGY SAVINGS CORP	12/11/12	74 12	MW	OH		
A200362632	409463	UNITED STATES POSTAL SERVICE	12/11/12	190 00	MW	OH		
A200362633	409463	UNITED STATES POSTAL SERVICE	12/11/12	605 00	MW	OH		
A200362634	409463	UNITED STATES POSTAL SERVICE	12/11/12	605 00	MW	OH		
A200362635	714445	UNIVERSAL TITLE PARTNERS	12/11/12	12 00	MW	OH		
A200362636	402812	UTMB	12/11/12	800 00	MW	OH		
A200362637	703768	VALLEY SERVICES INC	12/11/12	44,960 48	MW	OH		
A200362638	715060	VAREEN ELIZABETH A	12/11/12	158 00	MW	OH		
A200362639	710614	VEGA RESOURCES LLC	12/11/12	229 05	MW	OH		
A200362640	715020	VELOCITY COMMERCIAL CAPITAL	12/11/12	100 00	MW	OH	RE	
A200362641	714887	VENEGAS, JESUS	12/11/12	32 75	MW	OH		
A200362642	715047	VENTURA, HECTOR	12/11/12	100 00	MW	OH	RE	
A200362643	406603	VERIZON	12/11/12	1,065 72	MW	OH		
A200362644	709039	VICKERY, KAY	12/11/12	31 08	MW	OH		
A200362645	715062	VILLANUEVA, PAUL	12/11/12	125 00	MW	OH		
A200362646	400131	VULCAN CONSTRUCTION MATERIALS	12/11/12	19 573 19	MW	OH		
A200362647	231209	WALMART	12/11/12	24 88	MW	OH		
A200362648	715006	WASSERMAN, TINA	12/11/12	106 00	MW	OH		
A200362649	712330	WATKINS, GENE ANTONE	12/11/12	195 00	MW	OH	B7	

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
A200362650	701863	WEBER, WINIFRED B	12/11/12	130 00	MW	OH	B7	
A200362651	715072	WESTON, JONNA	12/11/12	2,011 78	MW	OH	B7	
A200362652	403748	WESTWARD COMMUNICATIONS	12/11/12	216 72	MW	OH		
A200362653	714459	WILLIAMS AMANDA J	12/11/12	66 60	MW	OH		
A200362654	715004	WILLIAMS, BRIAN	12/11/12	222 40	MW	OH		
A200362655	714730	WILLIAMS, NICKISHA	12/11/12	169 83	MW	OH		
A200362656	712638	WILSON, JOCELYN	12/11/12	479 52	MW	OH		
A200362657	715000	WOMENS CRISIS CENTER	12/11/12	200 00	MW	OH		
A200362658	711403	WRIGHT, ANDREW A	12/11/12	702 45	MW	OH	B7	
A200362659	712998	ZENDEH DEL AND ASSOCIATES PLL	12/11/12	190 00	MW	OH	B7	

S U B T O T A L S

Total Void Machine Written	0 00	Number of Checks Processed	1
Total Void Hand Written	0 00	Number of Checks Processed	0
Total Machine Written	2863,428 38	Number of Checks Processed	295
Total Hand Written	0 00	Number of Checks Processed	0
Total Reversals	0 00	Number of Checks Processed	0
Total Cancelled	0 00	Number of Checks Processed	0

S U B T O T A L 2863,428 38

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note
F600000516	071118	GALVESTON NEWSPAPERS INC	12/11/12	23,230 00	CX	OH		
F600000517	403006	KEYWORTHS HARDWARE INC	12/11/12	468 67	CX	OH		

S U B T O T A L S

Total Void Machine Written	0 00	Number of Checks Processed	0
Total Void Hand Written	0 00	Number of Checks Processed	0
Total Machine Written	0 00	Number of Checks Processed	0
Total Hand Written	0 00	Number of Checks Processed	0
Total Reversals	0 00	Number of Checks Processed	0
Total Cancelled	23,698 67	Number of Checks Processed	2

S U B T O T A L 23,698 67

Check	Payee ID	Payee Name	Date	Check Amount	Type	Subs	Rel To	Note	
		G R A N D T O T A L S							
		Total Void Machine Written		0 00		Number of Checks Processed			1
		Total Void Hand Written		0 00		Number of Checks Processed			0
		Total Machine Written		2863,428 38		Number of Checks Processed			295
		Total Hand Written		0 00		Number of Checks Processed			0
		Total Reversals		0 00		Number of Checks Processed			0
		Total Cancelled		23,698 67		Number of Checks Processed			2
		G R A N D T O T A L		2887,127 05					

AGENDA ITEM #1b

ORDER

On this the 11th day of December 2012, the Commissioners Court of Galveston County, Texas convened in a regularly scheduled meeting with the following members thereof present

Mark Henry, County Judge
Patrick Doyle, Commissioner, Precinct No 1 **absent**
Kevin D O'Brien, Commissioner, Precinct No 2
Stephen Holmes, Commissioner, Precinct No 3
Ken Clark, Commissioner, Precinct No 4 and
Dwight D Sullivan, County Clerk

when the following proceedings, among others, were had to-wit

Upon recommendation being received by the County Auditor, IT IS ORDERED that the County Clerk enter this ORDER in the minutes of the Commissioner's Court approving the biweekly payrolls of GALVESTON COUNTY, GALVESTON COUNTY HEALTH DISTRICT, AND GALVESTON COUNTY ROAD DISTRICT NO 1 as are shown on the payroll lists attached hereto and made a part hereof for all intents and purposes for the period ending Dec 05th, 2012 and being salary warrant numbers **PY0334475 through PY0334522 and EFT90352307 through EFT90353613.** The gross amount of such warrants are estimated **$2,984,901.43 for Biweekly Payroll #25, 2012.**

UPON MOTION OF COUNTY COMMISSIONER O'BRIEN AND SECONDED

BY ~~COMMISSIONER~~ COUNTY JUDGE HENRY THE ABOVE ORDER WAS PASSED THIS 11TH DAY

OF DEC., 2012 with 4 votes cast in favor thereof and 0 votes cast against

COUNTY OF GALVESTON, TEXAS

Mark Henry, County Judge

ATTEST

Dwight D Sullivan
County Clerk

RECOMMENDED

Cliff Billingsley, CPA
County Auditor

Galv Cnty Production

Employee Pay Assignment Changes for Payroll Period : 11/22/2012 thru 12/5/2012

Division	Division Name	Employee Name	Type	Position Number and Description	Begin	End	GrSt	Annual	Rate *	Reason
114000	County Clerk	ARCHER, NATALIE A	FTBE	55 COURT CLERK-PROBATE	11/26/2012		11A1	$29,475	1,133 68 B	APPOINTMENT
114000	County Clerk	OTERO, JESUS M	FTBE	28 DEPUTY COUNTY CLERK	12/3/2012		10A1	$28,055	1,079 05 B	APPOINTMENT
114030	Election Expense	ADAMS, MICHAEL W	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	ARRINGTON JR, JOSEPH W	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMFNT
114030	Election Expense	FARRINGTON, ROBERTA	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	GUERRERO MICHAEL	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	JARAMILLO, MAGDALENO	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	JOSEY, SHIRLEY	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	LOZANO, JUAN A	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	MORTON, JACQUEI INE T	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	PESEK, GRACIELA	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	RONNING, ALMA J	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	RUTHERFORD MICAH	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	SANCHEZ, DOLORES	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	WILLIAMS III, C L	PTEL	500 ELECTION WORKER-TEMP	11/22/2012		0000	$10,400	10 00 H	APPOINTMENT
121000	Justice Administration	MORRISON, ROGER D	FTBE	6 CASE MANAGEMENT	11/22/2012		18A1	$41,648	1,601 86 B	TRANSFER
152500	Housing	POSFY, MAURA M	FTBE	407 SENIOR ACCOUNTS PAYABLE	12/3/2012		14A1	$34,182	1,314 72 B	PROMOTION
211133	Corrections-Sheriff	BARAJAS, HECTOR D	FTBE	39 ENTRY LEVEL	11/26/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
211133	Corrections-Sheriff	DILL, THOMAS A	FTBE	154 ENTRY LEVEL	11/26/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
211133	Corrections-Sheriff	DYER, MICHAEL J	FTBE	297 ENTRY LEVEL	11/26/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
211133	Corrections-Sheriff	FORSYTHE, CHRISTOPHER	FTBE	162 ENTRY LEVEL	11/26/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
211133	Corrections-Sheriff	GARZA, JOLYNN C	FTBE	243 DEPUTY I	11/26/2012		12D1	$33,349	1 282 66 B	APPOINTMENT
211133	Corrections-Sheriff	GILLANE, JOSEPH A	FTBE	263 ENTRY LEVEL	11/26/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
211133	Corrections-Sheriff	GOMFZ CHRISTOPHER R	FTBE	276 ENTRY LEVEL	11/26/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
211133	Corrections-Sheriff	HALL, TRAVIS	FTBE	62 DEPUTY I	11/22/2012		13D1	$35,037	1 347 59 B	CAREER LADDER
211133	Corrections-Sheriff	JENKINS TOI L	FTBE	166 ENTRY LEVEL		11/30/2012	12D1	$33,349	1,282 66 B	TERMINATION
211133	Corrections-Sheriff	KI IGAR, DONNA J	FTBE	26 SERGEANT-CORRECTIONS		11/30/2012	18L1	$54,646	2,101 78 B	TERMINATION
211133	Corrections-Sheriff	LANDIS, JOSHUA R	FTBE	29 ENTRY LEVEL	11/26/2012		12D1	$33,349	1 282 66 B	APPOINTMENT
211133	Corrections-Sheriff	MOREAU, BRET	FTBE	187 DEPUTY 1	11/22/2012		13D1	$35,037	1,347 59 B	CAREER LADDER

* Rate Type H = Hourly, B = Biweekly Salary

Galv Cnty Production

Employee Pay Assignment Changes for Payroll Period 11/22/2012 thru 12/5/2012

Division	Division Name	Employee Name	Type	Position Number and Description	Begin	End	GrSt	Annual	Rate *	Reason
211133	Corrections-Sheriff	ORTEGA, CARLOS	FTBE	296 ENTRY LEVEL	11/26/2012		12D1	$33,349	1 282 66 B	APPOINTMENT
211133	Corrections-Sheriff	STEPHENSON MITCHELL	FTBE	262 DEPUTY I	11/22/2012		13D1	$35 037	1,347 59 B	CAREER LADDER
211133	Corrections-Sheriff	WUNEBURGER,	FTBE	298 ENTRY LEVEL	11/26/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
211171	Communications-Sheriff	BLUTE, KAREN M	FTBE	9 ENTRY LEVEL	11/29/2012		12D1	$33,349	1,282 66 B	APPOINTMENT
223300	Constable Pct #3 - Rose	BROWN JR, MOSES D	FTBE	2 DEPUTY CONSTABLE-PCT 3		11/30/2012	15H1	$42 689	1,641 91 B	TERMINATION
223300	Constable Pct #3 - Rose	RUBEN JR ALBERT C	FTBE	2 DEPUTY CONSTABLE-PCT 3	12/3/2012		15D1	$38,674	1,487 49 B	REASSIGNMENT
256118	Detention	BOZANT, ANTHONY	FTBE	33 JUVENILE SUPERVISION OFCR	11/27/2012		1200	$32,201	1 238 52 B	APPOINTMENT
256118	Detention	MYLES JR, LARRY	FTBE	38 JUVENILE SUPERVISION OFCR	11/30/2012		1200	$32 201	1 238 52 B	APPOINTMENT
312120	F M Lateral Road	HUTTO, JERRY L	FTBE	43 HEAVY EQUIPMENT OPERATOR	12/4/2012		09A1	$26,703	1,027 06 B	APPOINTMENT
312120	F M Lateral Road	JACKSON, EROLD L	FTBE	49 HEAVY EQUIPMENT OPERATOR	12/4/2012		09A1	$26,703	1,027 06 B	APPOINTMENT
522020	Parks Division	BARNHOORN, CAROL	FTBE	42 PARKS MAINTENANCE WORKER	11/27/2012		08A1	$24,676	949 10 B	APPOINTMENT

* Rate Type H = Hourly, B = Biweekly Salary

AGENDA ITEM #1c

ORDER

On this the 11th day of December 2012, the Commissioners Court of Galveston County, Texas convened in a regularly scheduled meeting with the following members thereof present

Mark Henry, County Judge
Patrick Doyle, Commissioner, Precinct No 1 **absent**
Kevin D O'Brien, Commissioner, Precinct No 2
Stephen Holmes, Commissioner, Precinct No 3
Ken Clark, Commissioner, Precinct No 4 and
Dwight D Sullivan, County Clerk

when the following proceedings, among others, were had to-wit

Upon recommendation being received by the County Auditor, IT IS ORDERED that the County Clerk enter this ORDER in the minutes of the Commissioner's Court approving the biweekly payrolls of GALVESTON COUNTY, GALVESTON COUNTY HEALTH DISTRICT, AND GALVESTON COUNTY ROAD DISTRICT NO 1 as are shown on the payroll lists attached hereto and made a part hereof for all intents and purposes for the period ending Dec 05th, 2012 and being salary warrant numbers **EFT90353614 through EFT90353623.** The gross amount of such warrants are estimated **$9,386.22 for Supplemental Payroll #25, 2012.**

UPON MOTION OF COUNTY COMMISSIONER O'BRIEN AND SECONDED

BY ~~COMMISSIONER~~ COUNTY JUDGE HENRY THE ABOVE ORDER WAS PASSED THIS 11TH DAY

OF DEC., 2012 with 4 votes cast in favor thereof and 0 votes cast against

COUNTY OF GALVESTON, TEXAS

Mark Henry, County Judge

ATTEST

Dwight D Sullivan
County Clerk

RECOMMENDED

Cliff Billingsley, CPA
County Auditor

AGENDA ITEM #1d

GALVESTON COUNTY, TEXAS

CONDENSED CONDITION OF FUNDS STATEMENT
AT August 31, 2012 (in 000's)

	Annually-Budgeted Funds				All Other
	General Fund		Other Funds		Funds
Assets and Other Debits					
Cash and Equivalents	$	49 313	$ 45 927	$	46 539
Investments		-	-		7 570
Receivables Net		9 699	2 349		18 727
Capital Assets			-		444 493
Other Assets		28	1 361		1,266
Other Debits		-	-		347,571
Total Assets and Other Debits	$	59,040	$ 49,637	$	866,165
Liabilities Equity and Other Credits					
Liabilities					
Accounts and Other Payables	$	3 644	$ 3 487	$	7 695
Other Liabilities		8,772	2,134		12 214
Payable - Restricted Assets		333	36		18,441
Bonds and Long-Term Payables		-	-		347 571
Total Liabilities		12 749	5 657		385,920
Equity		46,291	43,980		35,752
Other Credits		-	-		444 493
Total Liabilities Equity and Other Credits	$	59 040	$ 49,637	$	866,165

CONDENSED BUDGET STATEMENT
AT August 31, 2012 (in 000's)

	Annually-Budgeted Funds				All Other
	General Fund		Other Funds		Funds
	Budget	Actuals	Budget	Actuals	Actuals
Revenues and Sources	$ 112 741	$ 107,185	$ 62,640	$ 120,632	$ 52 735
Expenditures and Uses	130 785	93 756	89 145	124 721	109,058
Net	(18,044)	13,429	(26,505)	(4 089)	(56 323)
Equity & Other Credits Beginning of Year	32,863	32,863	48 069	48,069	536 568
Residual Equity Transfers In	-	-	-	-	-
Residual Equity Transfers Out	-	-	-	-	-
Equity & Other Credits, End of Year	$ 14 819	$ 46 291	$ 21,564	$ 43 980	$ 480,245

Amounts are expressed in thousands of dollars

This data is unaudited and is presented pursuant to Texas Local Government Code §114 023

Cliff Billingsley, CPA Galveston County Auditor, P O Box 1418 Galveston Texas 77553-1418

Detailed financial information is available on our Internet web site

http www co galveston tx us auditor auditorsoffice

at the County Auditor's Office at 722 Moody 4th Floor, Galveston Texas 77550

GALVESTON COUNTY, TEXAS

MONTHLY UNAUDITED FINANCIAL REPORT

August 31, 2012

Prepared By
County Auditor's Office

Cliff Billingsley, C.P.A
County Auditor

Ron Chapa, CPA
First Assistant, Director of Auditing

Jeff Modzelewski, CPA
First Assistant, Director of Accounting

MEMBERS OF GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA
THIS REPORT IS AVAILABLE ON THE INTERNET http //www co galveston tx us/auditor/auditorsoffice/

GALVESTON COUNTY, TEXAS
UNAUDITED MONTHLY FINANCIAL REPORT
August 31, 2012
TABLE OF CONTENTS

- ***Footnotes*** Rounding of cents to whole dollars can cause a slight difference between sums of detail lines and totals Some revenues and expenditures may not be included in the monthly report totals as these amounts did not meet the deadline for month-end reporting

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GALVESTON COUNTY, TEXAS
COUNTY AUDITOR'S OFFICE
P.O. BOX 1418
GALVESTON, TEXAS 77553

November 19, 2012

The Honorable District Judges and the Honorable Members of the Commissioners' Court:

The unaudited and unadjusted financial report of Galveston County, Texas, for the month ended August 31, 2012, is hereby submitted as required by Local Governmental Code §114 023 and §114 025

This report is presented in three sections, namely Financial Statements, Schedules and Budget Status

Although this report is self explanatory, please do not hesitate to call the County Auditor's office for more information at (409) 770-5304 This report can be seen on the Internet at ***http://www.co.galveston.tx.us/auditor/auditorsoffice/***

Respectfully submitted,

Cliff Billingsley, C.P.A.
County Auditor

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FINANCIAL STATEMENTS

GALVESTON COUNTY, TEXAS
MONTHLY COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
08/31/2012
WITH PRIOR YEAR TOTALS FOR THE SAME MONTH
(Amounts in Dollars)
(Unaudited)

	GOVRNMNTL FUND TYPES				PROPRTRY FUND TYPES	FIDUCIARY FUND TYPES	ACCOUNT GROUPS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	INTERNAL SERVICE	AGENCY	CAPITAL ASSETS	GENERAL LONG-TERM DEBT
ASSETS AND OTHER DEBITS								
Cash and Investments								
Cash and Cash Equivalents	49,312,699	3,144,518	12,086,423	58,898,351	8,569,282	9,767,725	0	0
Investments	0	0	0	0	0	7,569,850	0	0
Receivables (Net of Allowances for Uncollectibles)								
Interest	0	0	0	0	0	0	0	0
Taxes (Note 1)	8,150,153	467,276	1,614,684	0	0	0	0	0
Accounts	1,410,682	11,244,419	0	1,021,303	34,657	1,485	0	0
Other	138,227	3,826,395	19,113	2,834,254	0	12,605	0	0
Due From Other Funds	28,276	396,513	0	0	0	0	0	0
Inventory at Cost	0	790,553	0	0	0	0	0	0
Prepaid Expenditures	0	4,378	0	0	206,931	0	0	0
Restricted Assets								
Cash and Cash Equivalents	0	2,370	0	0	0	0	0	0
Guardianship Assets	0	0	0	0	0	1,225,752	0	0
Capital Assets								
Land	0	0	0	0	0	0	33,225,944	0
Infrastructure	0	0	0	0	0	0	148590,775	0
Buildings	0	0	0	0	0	0	197491,342	0
Improvements Other Than Bldgs	0	0	0	0	0	0	1,359,647	0
Equipment	0	0	0	0	0	0	35,188,531	0
Construction in Progress	0	0	0	0	0	0	28,636,958	0
Amount Avail - Debt Serv Funds	0	0	0	0	0	0	0	11,948,505
Amount to be Provided For								
Retirement of Gen L-T Debt	0	0	0	0	0	0	0	326,424,917
Compensated Absences	0	0	0	0	0	0	0	4,197,120
Notes Payable	0	0	0	0	0	0	0	5,000,000
TTL ASSETS & OTHER DEBITS	59,040,038	19,876,423	13,720,220	62,753,908	8,810,870	18,577,417	444493,197	347,570,542

Note 1 "Receivables - Taxes" includes amounts both current and delinquent that remain to be collected

Note 2 "Undistr Taxes" (if any) is recent collections

The numbers presented herein might change as a result of the work of the independent auditors

Rounding of cents to whole dollars can cause a slight difference between sums of detail lines and totals

GALVESTON COUNTY, TEXAS
MONTHLY COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
08/31/2012
WITH PRIOR YEAR TOTALS FOR THE SAME MONTH
(Amounts in Dollars)
(Unaudited)

	TOTALS (MEMO ONLY) 2012	TOTALS (MEMO ONLY) PRIOR YEAR
ASSETS AND OTHER DEBITS		
Cash and Investments		
Cash and Cash Equivalents	141,778,998	186,149,544
Investments	7,569,850	7,377,656
Receivables (Net of Allowances for Uncollectibles)		
Interest	0	0
Taxes (Note 1)	10,232,113	10,385,333
Accounts	13,712,547	16,085,813
Other	6,830,594	282,103
Due From Other Funds	424,789	5,232,252
Inventory at Cost	790,553	630,056
Prepaid Expenditures	211,309	224,030
Restricted Assets		
Cash and Cash Equivalents	2,370	11,340
Guardianship Assets	1,225,752	914,304
Capital Assets		
Land	33,225,944	32,770,530
Infrastructure	148,590,775	144,359,661
Buildings	197,491,342	192,825,614
Improvements Other Than Bldgs	1,359,647	1,321,254
Equipment	35,188,531	33,140,188
Construction in Progress	28,636,958	6,640,656
Amount Avail - Debt Serv Funds	11,948,505	9,742,235
Amount to be Provided For		
Retirement of Gen L-T Debt	326,424,917	344,166,188
Compensated Absences	4,197,120	4,374,619
Notes Payable	5,000,000	5,000,000
TTL ASSETS & OTHER DEBITS	974,842,615	1001633,376

Note 1 "Receivables - Taxes" includes amounts both current and delinquent that remain to be collected

Note 2 "Undistr Taxes" (if any) is recent collections

The numbers presented herein might change as a result of the work of the independent auditors

Rounding of cents to whole dollars can cause a slight difference between sums of detail lines and totals

GALVESTON COUNTY, TEXAS
MONTHLY COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
08/31/2012
WITH PRIOR YEAR TOTALS FOR THE SAME MONTH
(Amounts in Dollars)
(Unaudited)

	---------- GOVRNMNTL	FUND TYPES	----------		PROPRTRY FUND TYPES	FIDUCIARY FUND TYPES	-- ACCOUNT	GROUPS ---
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	INTERNAL SERVICE	AGENCY	CAPITAL ASSETS	GENERAL LONG-TERM DEBT
LIABILITIES, EQUITY AND OTHER CREDITS								
Liabilities								
Accounts Payable	3,640,200	2,368,946	0	463,343	73,589	75,743	0	0
Compensated Absences Payable	337	0	0	0	0	0	0	0
Retainage Payable	3,656	517,193	0	4,805,180	0	0	0	0
Est Liab-Claims/Jdgmts Pyble	0	11,102	117,949	0	2,749,500	0	0	0
Due to Others	581,597	217,798	39,082	859,162	0	684,680	0	0
Payable From Restr Assets								
Due to Other Entities	0	0	0	0	0	15,574,664	0	0
Escrow Deposits/Deposits Held	332,660	659,761	0	0	0	2,242,330	0	0
Due to Other Funds	40,271	389,376	0	0	0	0	0	0
Deferred Revenues (Note 3)	8,150,153	10,543,057	1,614,684	0	0	0	0	0
Bonds/Other Long-Term Payables	0	0	0	0	0	0	0	347,570,542
Total Liabilities	12,748,874	14,707,233	1,771,715	6,127,684	2,823,089	18,577,417	0	347,570,542
Equity and Other Credits								
Investment in Gen Fixed Assets	0	0	0	0	0	0	444493,197	0
Net Assets - Restricted	0	0	0	0	258,167	0	0	0
Net Assets - Unrestricted	46,291,164	5,169,190	11,948,505	56,626,224	5,729,613	0	0	0
Fund Balances								
Reserved								
Unreserved								
Ttl Equity & Other Credits	46,291,164	5,169,190	11,948,505	56,626,224	5,987,781	0	444493,197	0
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	59,040,038	19,876,423	13,720,220	62,753,908	8,810,870	18,577,417	444493,197	347,570,542

Note 3 "Deferred Revenues" includes taxes receivable, a Mainland Center Hospital judgment, and miscellaneous revenues

The numbers presented herein might change as a result of the work of the independent auditors

Rounding of cents to whole dollars can cause a slight difference between sums of detail lines and totals

GALVESTON COUNTY, TEXAS
MONTHLY COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
08/31/2012
WITH PRIOR YEAR TOTALS FOR THE SAME MONTH
(Amounts in Dollars)
(Unaudited)

	TOTALS (MEMO ONLY) 2012	TOTALS (MEMO ONLY) PRIOR YEAR
LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities		
Accounts Payable	6,621,821	3,760,475
Compensated Absences Payable	337	0
Retainage Payable	5,326,029	6,783,625
Est Liab-Claims/Jdgmts Pyble	2,878,550	2,758,230
Due to Others	2,382,320	1,502,991
Payable From Restr Assets		
Due to Other Entities	15,574,664	15,306,331
Escrow Deposits/Deposits Held	3,234,752	2,870,932
Due to Other Funds	429,646	5,232,252
Deferred Revenues (Note 3)	20,307,894	12,004,207
Bonds/Other Long-Term Payables	347,570,542	363,283,041
Total Liabilities	404,326,555	413,502,083
Equity and Other Credits		
Investment in Gen Fixed Assets	444,493,197	411,057,903
Net Assets - Restricted	258,167	201,917
Net Assets - Unrestricted	125,764,695	176,871,473
Fund Balances		
Reserved		
Unreserved		
Ttl Equity & Other Credits	570,516,059	588,131,293
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	974,842,615	1001633,376

Note 3 "Deferred Revenues" includes taxes receivable, a Mainland Center Hospital judgment, and miscellaneous revenues

The numbers presented herein might change as a result of the work of the independent auditors

Rounding of cents to whole dollars can cause a slight difference between sums of detail lines and totals

GALVESTON COUNTY, TEXAS
MONTHLY COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR TO DATE AT 08/31/2012
WITH PRIOR YEAR TOTALS FOR THE SAME MONTH
(Unaudited)

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTALS (MEMO ONLY) 2012	TOTALS (MEMO ONLY) PRIOR YEAR
REVENUES						
Taxes (Note 4)	$89,652,321	$5,205,667	$26,490,267	$0	$121,348,256	$119,360,368
Licenses and Permits	3,495	2,317,020	0	0	2,320,514	2,181,870
Intergovernmental	5,067,495	31,121,742	2,868,497	19,825,304	58,883,039	112,960,612
Charges for Services	6,135,118	2,544,749	0	4,440	8,684,307	8,922,270
Fines and Forfeitures	1,830,288	746,366	0	0	2,576,654	2,832,542
Investment Revenue	478,199	65,924	61,133	433,541	1,038,798	2,008,541
Other	2,886,334	(152,587)	30,740	0	2,764,487	3,926,847
TOTAL REVENUES	106,053,250	41,848,881	29,450,638	20,263,285	197,616,055	252,193,050
EXPENDITURES						
Current Operating						
General Government	42,728,724	43,107,304	0	186,309	86,022,337	70,766,490
Public Safety	30,255,380	14,032,068	0	0	44,287,448	65,418,119
Sanitation	0	0	0	0	0	0
Health and Social Services	11,716,763	4,925,184	0	0	16,641,948	9,903,310
Culture and Recreation	2,000,096	70,797	0	0	2,070,893	2,637,047
Conservation	394,618	0	0	0	394,618	400,496
Roads, Bridges, Right-of-Way	0	4,477,521	0	0	4,477,521	5,799,106
Capital Outlay	1,280,519	4,325,972	0	53,376,701	58,983,192	103,583,209
Debt Service						
Principal	0	0	16,689,988	0	16,689,988	15,620,000
Interest and Fiscal Charges	0	0	15,434,449	0	15,434,449	14,819,827
Advance Refunding Escrow	0	0	58,451,228	0	58,451,228	0
TOTAL EXPENDITURES	88,376,100	70,938,847	90,575,665	53,563,010	303,453,622	288,947,604
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,677,150	(29,089,966)	(61,125,027)	(33,299,725)	(105,837,567)	(36,754,554)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	1,099,321	4,334,985	0	250,000	5,684,306	16,126,579
Operating Transfers Out	(5,380,400)	(3,292,506)	0	(250,000)	(8,922,906)	(18,886,179)
Op Trsfrs Out-Component Unit	0	0	0	0	0	(6,162,142)
Loan Proceeds	0	0	0	0	0	0
Sale of Capital Assets	32,521	42,748	2,886,162	0	2,961,431	76,459
Face Value-LongTerm Debt Issue	0	0	52,650,000	0	52,650,000	0
Premium-Long Term Debt Issued	0	0	6,495,419	0	6,495,419	0
Proceeds-Refunding Bonds	0	0	0	0	0	0
TTL OTHR FINCING SRCS (USES)	(4,248,558)	1,085,227	62,031,582	0	58,868,250	(8,845,283)

(Continued)

GALVESTON COUNTY, TEXAS

MONTHLY COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

YEAR TO DATE AT 08/31/2012

WITH PRIOR YEAR TOTALS FOR THE SAME MONTH

(Unaudited)

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTALS (MEMO ONLY) 2012	TOTALS (MEMO ONLY) PRIOR YEAR
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	13,428,592	(28,004,739)	906,555	(33,299,725)	(46,969,317)	(45,599,836)
FUND BALANCES BEGINNING OF YEAR	32,862,571	33,173,929	11,041,951	89,925,948	167,004,399	216,068,025
Residual Equity Transfers In	0	0	0	0	0	0
Residual Equity Transfers Out	0	0	0	0	0	0
FUND BALANCES, END OF YEAR	$46,291,164	$5,169,190	$11,948,505	$56,626,224	$120,035,082	$170,468,188

Note 4 "Taxes" is primarily current and delinquent taxes with penalties and interest received to date Tax revenues were estimated based on prior year actual collections

The numbers presented herein might change as a result of the work of the independent auditors

Rounding of cents to whole dollars can cause a slight difference between sums of detail lines and totals

GALVESTON COUNTY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year to Date at August 31, 2012
With Actual Amounts for the Year to Date at August 31, 2011
(UNAUDITED)

	FY 2012			
	Budget	Actual	Variance Favorable (Unfavorable)	FY 2011 Actual
REVENUES				
Taxes	$90,733,848	$89,652,321	(1,081,527)	$87,954,579
Licenses and Permits	500	3,495	2,995	1,514
Intergovernmental	6,403,620	5,067,495	(1,336,125)	4,464,869
Charges for Services	6,998,125	6,135,118	(863,007)	6,331,331
Fines and Forfeitures	2,457,100	1,830,288	(626,812)	2,119,549
Investment	745,435	478,199	(267,236)	1,377,709
Miscellaneous	4,443,350	2,886,334	(1,557,016)	3,005,094
TOTAL REVENUES	111,781,978	$106,053,250	(5,728,728)	$105,254,645
EXPENDITURES				
Current Operating				
General Government	52,485,566	42,728,724	9,756,842	42,851,752
Public Safety	34,922,840	30,255,380	4,667,460	31,162,846
Health and Social Services	12,453,661	11,716,763	736,898	4,475,733
Culture and Recreation	3,381,152	2,000,096	1,381,056	2,090,173
Conservation	483,200	394,618	88,582	400,496
Capital Outlay	2,820,917	1,280,519	1,540,398	791,818
TOTAL EXPENDITURES	106,547,336	88,376,100	18,171,236	81,772,818
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,234,642	$17,677,150	12,442,508	23,481,827
OTHER FINANCING SOURCES (USES)				
Transfers In	838,800	1,099,321	260,521	957,347
Transfers Out	(5,380,400)	(5,380,400)	-	(16,093,908)
Transfers Out Component Unit	-	-	-	(6,162,142)
Sale of Capital Assets	120,000	32,521	(87,479)	40,854
Loan Proceeds	-	-	-	-
Reserves and Other	(18,857,200)	-	18,857,200	(520,726)
TOTAL OTHER FIN SOURCES (USES)	(23,278,800)	(4,248,558)	19,030,242	(21,778,575)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(18,044,158)	13,428,592	31,472,750	1,703,252
Fund Balance, Beginning of Year	32,862,571	32,862,571	-	30,381,296
Fund Balance, End of Month	$ 14,818,413	$46,291,164	$ 31,472,750	$ 32,084,548

GALVESTON COUNTY, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
Year to Date at August 31, 2012
With Actual Amounts for the Year to Date at August 31, 2011
(UNAUDITED)

	GROUP, WORKERS COMP, UNEMPLOYMENT INSURANCE FUND				WORKERS' COMPENSATION FUND				SELF INSURANCE RESERVE FUND			
	FY 2012				FY 2012				FY 2012			
	Budget	Actual	Variance Favorable (Unfavorable)	FY 2011 Actual	Budget	Actual	Variance Favorable (Unfavorable)	FY 2011 Actual	Budget	Actual	Variance Favorable (Unfavorable)	FY 2011 Actual
REVENUES												
Charges for Services	$11 844 300	$10 271 520	$ (1 572 780)	$10,708,179	$0	$0	$ -	$0	$0	$0	$ -	$0
Insurance Recovery - County	-	-	-	-	-	-	-	-	25 250	25 256	6	25 085
Reimbursements	526 000	938 908	412 908	1,453,031	-	-	-	11 000	-	-	-	-
Miscellaneous	1 300	$623	(677)	$1,419	-	-	-	6 441	22 100	22 815	715	22,779
TOTAL REVENUES	12 371 600	11 211 051	(1 160,549)	12,162 629	-	-	-	17 441	47 350	48 071	721	47,864
EXPENDITURES												
Personal Services	250 000	294 300	(44 300)	-	-	-	-	-	-	(1 129)	1 129	307 935
Contract Services	1,936,600	1 359 211	577 389	1,475,472	-	-	-	45 175	10 000	-	10 000	-
Insurance	816,000	585 317	230 683	631,675	-	-	-	-	2 766 750	2 541,668	225 082	2 359 519
Claims Paid	10,239 000	9 732 685	506 315	8 718,071	-	-	-	421 750	-	-	-	-
Other Services and Charges	2,500,000	-	2 500 000	-	-	-	-	-	1 304 000	-	1 304 000	-
TOTAL EXPENDITURES	15 741,600	11,971 513	3 770 087	10 825 218	-	-	-	466,925	4 080 750	2 540,539	1,540 211	2 667,454
Net Income (Loss) Before Transfers	(3 370 000)	(760 462)	2 609 538	1 337 411	-	-	-	(449 484)	(4 033,400)	(2 492 468)	1,540 932	(2 619 590)
TRANSFERS												
Transfers In	42 600	689 619	647 019	-	-	-	-	527 600	3 196 000	3,196 000	-	2 221 000
Transfers Out	-	-	-	-	-	(647 019)	(647 019)	-	-	-	-	-
Net Income (Loss)	(3 327 400)	(70 843)	3 256 557	1 337 411	-	(647 019)	(647 019)	78 116	(837 400)	703 532	1 540 932	(398 590)
TOTAL NET ASSETS - BEGINNING	4 309 325	4,309 325	-	3 017 398	-	647,019	647 019	914 378	1 045 766	1 045 766	-	1 656,488
TOTAL NET ASSETS - ENDING	$ 981 925	$ 4,238,482	$ 3,256 557	$ 4 354 809	$ -	$ -	$ -	$ 992,494	$ 208 366	$ 1 749,298	$ 1 540 932	$ 1,257,898

GALVESTON COUNTY, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
Year to Date at August 31, 2012
With Actual Amounts for the Year to Date at August 31, 2011
(UNAUDITED)

	FY 2012		Variance	FY 2011		Variance
	TOTAL Budget	TOTAL Actual	Favorable (Unfavorable)	TOTAL Budget	TOTAL Actual	Favorable (Unfavorable)
REVENUES						
Charges for Services	$ 11 844 300	10 271 520	$ (1 572 780)	$ 10 784 300	$10 708 179	$ (76 121)
Insurance Recovery - County	25 250	25 256	6	6 000	25 085	19 085
Reimbursements	526 000	938 908	412 908	567 000	1 464 031	897 031
Miscellaneous	23 400	23 438	38	27,400	30 639	3 239
TOTAL REVENUES	12 418 950	11 259 122	(1 159 828)	11,384,700	12,227 934	843 234
EXPENDITURES						
Personal Services	250 000	293 171	(43 171)	325 500	307 935	17 565
Contract Services	1,946 600	1 359 211	587 389	1 956 600	1,520,646	435 954
Insurance	3 582,750	3 126,985	455 765	3 414 400	2,991,193	423 207
Claims Paid	10 239 000	9 732,685	506 315	10 033 600	9 139 821	893 779
Other Services and Charges	3 804 000	-	3,804,000	36 000	-	36,000
TOTAL EXPENDITURES	19 822 350	14 512 052	5,310,298	15 766 100	13 959 596	1 806 505
Net Income (Loss) Before Transfers	(7 403 400)	(3 252 929)	4 150 470	(4 381 400)	(1,731 662)	2 649 739
TRANSFERS						
Transfers In	3 238 600	3 885,619	647 019	2 748 600	2 748 600	-
Transfers Out	-	(647 019)	(647 019)	-	-	-
Net Income (Loss)	(4 164 800)	(14 329)	4 150 470	(1 632 800)	1 016 938	2,649,739
TOTAL NET ASSETS - BEGINNING	6 002 110	6 002 110	-	5 588 264	5 588 264	-
TOTAL NET ASSETS - ENDING	$ 1 837 310	$ 5,987,781	$ 4,150 470	$ 3 955 464	$ 6 605 202	$ 2,649,739

SCHEDULES

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GALVESTON COUNTY, TEXAS
BONDED DEBT SERVICE REQUIREMENTS TO MATURITY, BY TYPE AND ISSUE
At August 31, 2012

	REMAINING INTEREST RATES	PRINCIPAL	INTEREST	ACCRETION	TOTAL
Constitutional Bonds					
Limited Tax Justice Center Bonds 2001	4 4/5 38/5 45/5 50/5 57/5 60/5 62/ 5 63/5 65/5 66	13,392,062	27,262,938	27,262,938	67,917,938
Comb Tax & Revn CO 2002	4 5	510,000	11,475	-	521,475
Comb Tax & Revn CO 2002A	4 5	365,000	8,213	-	373,213
Limited Tax Criminal Justice Bonds 2003A	4 0/4 25	3,655,000	154,693	-	3,809,693
Comb Tax & Revn CO 2003C	4 0	1,530,000	60,400	-	1,590,400
General Obligation '99/'01 Refunding 2004	4 0/5 0/5 25/5 50	18,030,000	2,439,638	-	20,469,638
Pass-Through Toll Revenue and Limited Tax Bonds 2007	4 125/4 25/4 375/4 5/4 625/4 75	47,520,000	24,204,566	-	71,724,566
General Obligation Refunding	3 5/4 0/4 125/4 25/4 375/4 5	85,615,000	38,110,450	-	123,725,450
Combination Tax and Revenue Certificates of Obligation Series 2008	2 81	2,800,000	78,680	-	2,878,680
Limited Tax County Building Bonds 2009B	1 248/1 865/2 365/3 007/3 407/3 9/ 4 2/4 508/4 708/5 905	43,405,000	25,498,898	-	68,903,898
Limited Tax Flood Control Bonds 2009C-1	2 0/2 5/3 0/3 5	9,215,000	7,725,691	-	16,940,691
Limited Tax Flood Control Bonds 2009C-2	6 205	5,205,000	677,575	-	5,882,575
Limited Tax Refunding Bonds Series 2011A	2 0/3 0/4 0	4,205,000	661,150	-	4,866,150
Limited Tax Refunding Bonds Series 2011C	2 0/3 0/4 0/4 25	3,390,000	214,575	-	3,604,575
Total Constitutional Bonds		**238,837,062**	**127,108,942**	**27,262,938**	**393,208,942**
Road Bonds.					
Unlimited Tax Road Bonds 2001	4 4/5 38/5 45/5 50/5 57/5 60/5 62/ 5 63/5 65/5 66	10,066,372	20,493,628	20,493,628	51,053,628
Unlimited Tax Road Bonds 2003B	4 0/4 25/5 0	3,590,000	2,187,600	-	5,777,600
Unlimited Tax Road Refunding Bonds 2004A	3 50/3 625/4 05/4 50/5 50	9,424,988	2,178,440	740,012	12,343,440
Limited Tax Road Bonds 2009A	1 248/1 865/2 365/3 007/3 407/3 9/4 2/4 508/4 708/4 908/5 108/5 308/5 40 8/ 6 205	72,310,000	42,652,394	-	114,962,394
Unlimited Tax Refunding Bonds Series 2011B	2 0/3 0/4 0/4 25	4,145,000	1,108,731	-	5,253,731
Total Road Bonds		**99,536,360**	**68,620,794**	**21,233,640**	**189,390,794**
Total Bonded Debt		**$ 338,373,422**	**$ 195,729,736**	**$ 48,496,578**	**$ 582,599,736**

GALVESTON COUNTY, TEXAS
BONDED DEBT SERVICE REQUIREMENTS TO MATURITY BY YEAR
At August 31, 2012

FISCAL YEAR	PRINCIPAL	INTEREST	ACCRETION	TOTAL
2012	$ 16,689,988	$ 14,765,936	$ -	$ 31,455,924
2013	17,870,000	13,521,519	740,012	32,131,531
2014	17,075,000	12,874,180	-	29,949,180
2015	17,780,000	12,173,638	-	29,953,638
2016	18,580,000	11,387,873	-	29,967,873
2017	15,447,138	14,600,227	-	30,047,365
2018	15,707,088	14,302,537	3,872,862	33,882,486
2019	16,060,489	13,950,845	4,097,913	34,109,246
2020	16,574,273	13,545,811	4,309,511	34,429,595
2021	17,050,965	13,054,150	4,525,727	34,630,843
2022	17,561,822	12,506,413	4,719,035	34,787,270
2023	18,166,620	11,905,765	4,903,178	34,975,563
2024	18,855,406	11,235,614	5,078,380	35,169,400
2025	19,565,544	10,508,123	5,244,594	35,318,261
2026	20,349,091	9,717,013	5,419,456	35,485,560
2027	26,990,000	3,015,437	5,585,909	35,591,346
2028	28,275,000	1,739,458	-	30,014,458
2029	14,450,000	669,290	-	15,119,290
2030	2,600,000	191,188	-	2,791,188
2031	2,725,000	64,719	-	2,789,719
Total	**$ 338,373,422**	**$195,729,736**	**$ 48,496,578**	**$ 582,599,736**

GALVESTON COUNTY, TEXAS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
As of August 31, 2012
(UNAUDITED)

Fund Number	Fund Title	Beginning Balance Fiscal Year 2012	Receipts	Disbursements	Ending Balance As of August 31, 2012
1101	**TOTAL GENERAL FUND**	$ 6,766,043	$ 143,522,923	$ 100,976,267	49,312,699
2101	Cnty Records Mgt & Preservatio	152,848	124,135	173,457	103,527
2102	Co Clerk Rec Mgt & Pres Fund	1 937,050	527 300	1,926,272	538 078
2103	Election Srvs Contract Fund	384 931	106,083	201 522	289,492
2104	Cnty Clerk Records Archive Fd	-	1,331,074	26,831	1,304,243
2105	Dist Clrk Chld Support IV-D	116,776	5 300	-	122 076
2106	Distr Clerk Records Mgmt Fund	118 165	63,039	40 391	140,812
2111	Tx Assess/Coll Sp Inv Tx Fund	45,960	6,884	2 979	49,866
2121	Donations To Galveston County	1,029	10,000	6,409	4,620
2131	DA Seized Funds Afte Aft 10/89	62,305	169,047	42,664	188 689
2132	DA Check Collection Fees	53 481	4,171	17 917	39 736
2148	Unclaimed Property Fund	197 294	472,383	467 452	202,225
2205	Courthouse Security Fund	284,773	177,485	206,638	255,621
2211	Law Library	143 307	234,870	336,233	41,944
2212	Mediation Services Prog Fund	865,375	128,132	39,504	954,003
2215	Justice Court Technology Fund	73,941	57,521	60,043	71 418
2216	Probate Court Contributions Fd	307,120	40,000	73 905	273 215
2220	Adult Probation Fund	777 481	1 986,571	2 092,398	671,655
2230	Juvenile Justice Fund	2 560 555	3,259,189	4,022,819	1,796,926
2240	Sheriff's Commissary Fund	946,070	242,510	252,690	935,891
2242	Sheriff's Seizure Aft 10/89	501,137	106,461	139 126	468 472
2245	Task Force Seizure Pre 10/89	31 867	23,549	28,842	26,574
2246	CID Seizure After 10/89	5,919	-	-	5,919
2250	Law Enforcement Education Fund	147,060	2,189	18,904	130,344
2255	Constables' Seizures	3,500	-	-	3 500
2260	Emergency Management Fund	2 857 120	809	553 342	2 304,587
2301	Road & Bridge Fund	2 879 093	5,447,404	6 016 663	2,309,835
2303	Farm to Market Lateral Road	1 504 444	80,768	372,830	1,212,382
2341	Road District #1	385,448	512,663	140 861	757,250
2370	Flood Control Fund	2,592,213	2 077 049	1 859,731	2,809,531
2401	Public Health Fund	-	22,787	29,924	(7,137)
2410	Mosquito Control District Fund	298,036	1,362,491	1 091,667	568,861
2420	Indigent Health Care Fund	10,932 555	244,942	2,995,525	8,181,972

GALVESTON COUNTY, TEXAS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
As of August 31, 2012
(UNAUDITED)

Fund Number	Fund Title	Beginning Balance Fiscal Year 2012	Receipts	Disbursements	Ending Balance As of August 31, 2012
2501	Child Welfare Fund	495,155	203 391	205,688	492,858
2601	Beach & Parks Fund	1 175 262	391 374	283,714	1,282,922
2621	Galveston County Museum	17,909	-	-	17,909
2811	Help America Vote Act (HAVA)	-	203 106	203,107	(1)
2816	Low Inc Rpr Retfit,Acc Veh Rpl	16 411	16,222	141,946	(109,313)
2823	Criminal Justice Grant Fund	-	45,000	6 170	38,830
2824	Adult Probation Community	85,474	349,062	408 953	25,583
2825	Galv Cnty Adult Drug Court Pgm	-	9 845	24,561	(14 716)
2840	Criminal Justice Div-Juvenile	228	-	-	228
2841	Juvenile Probation-State Aid	180,633	1,248,989	1,365 690	63,932
2842	Community Corrections	327	-	-	327
2848	Juv Jst Alt Education Program	38,714	295 029	323,160	10,583
2861	Organized Crime Control Grant	1,824	-	-	1 824
2864	Auto Crimes Task Force Grant	-	575,470	539,527	35,943
2867	SCAAP Program Grant	-	68,719	68 720	(1)
2870	Texas Vine Grant	-	26,333	26 333	0
2874	Crime Victim Assistance Prog	5,476	-	-	5,476
2876	NCVRW CAP Grant	-	-	-	0
2877	Violence Against Women Act	-	105 511	100,909	4,602
2885	Children's Justice Act Proj	1 685	-	1,685	0
2891	Office of Emergency Mgt Grants	4,000	90,015	94 015	0
2892	State Homeland Security Grant	-	211,829	269,700	(57,871)
2893	HMGP - IKE	7,105,021	2,943,896	6,538,022	3,510,895
2894	EECBG - Program	-	4,600	119 546	(114,946)
2914	CDBG Housing Program	-	49,119,382	74 109 144	(24,989,762)
2915	CDBG Infrastructure Program	-	4,517,860	4,990 508	(472,648)
2921	Senior Citizens Grant Prog	-	603 470	596,878	6,592
2923	Texas Feeding Texans	76,858	135 395	171,254	41,000
2962	Parks/Beaches Project Grants f	589	-	-	589
2974	2009 Recovery Act Justice Asst	59 227	25	-	59,252
2975	Just Dept Loc Law Enf Blk Grt	55 925	26,871	53,501	29,295
2976	COPS Grants Program	-	544,431	628,882	(84,451)
2985	Moody Foundation Grants	7	-	-	7

GALVESTON COUNTY, TEXAS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
As of August 31, 2012
(UNAUDITED)

Fund Number	Fund Title	Beginning Balance Fiscal Year 2012	Receipts	Disbursements	Ending Balance As of August 31, 2012
2991	Election Serv Cntr Fnd - HAVA	190,532	-	11,040	179,492
2992	Severe Repetitive Loss Grant	18,172	-	547,763	(529,591)
2994	Disaster Recovery - Ike	-	3,668,441	6,714,889	(3,046,447)
	TOTAL SPECIAL REVENUE FUNDS	**40,696,284**	**84,231,075**	**121,782,842**	**3,144,518**
3100	County Capital Projects Fund	2,707,785	2,228	1,387,409	1,322,605
3101	Capital Replenishment	300,000	250,000	22,624	527 376
3120	Limited Tax Cnty Bldg Bds Sr09	18 218 288	28,588,776	40,661,767	6,145,298
3206	Comb Tax/Revenue COB Sr 2003C	1 260 962	2 836	29 124	1,234,674
3271	Parks Dept Capital Projects	4,237,808	1,358	1,318 451	2,920,715
3306	Road Capital Project Fund-1987	49,532	229	-	49,761
3307	Unltd Tax Road Bonds Sr 2003B	5,340,605	5,819,718	6,236,616	4 923 708
3308	Unlimited Tax Rd Bds Ser 2001	1,349,025	181,514	193,541	1 336 999
3310	Pass Thru Toll Rv Lt Tx BdSr07	12,624,932	18,081,216	23,403,816	7 302 332
3312	Unltd Tax Road Bonds Sr 2009	38,217,602	56,770,607	72,317,405	22 670,803
3315	Galv Causeway RR Bridge Proj	-	26,670 335	27 301 339	(631,003)
3316	Cnty Road & Bridge Projects	113 213	167,730	-	280,943
3370	Ltd Tax Flood Control Bds Sr09	10,372,875	10,665,056	10,779,150	10,258,781
3373	Gal Cnty Cert of Oblig Sr 2008	725,259	713,578	883,479	555,359
	TOTAL CAPITAL PROJECT FUNDS	**95,517,888**	**147,915,183**	**184,534,721**	**58,898,351**
4020	Gen Oblig Refnd Bd Sr 07	1,168 330	3,851,181	3 872 785	1,146 726
4021	Ltd Tx Cnty Bld Bd Series 2009	1 234 627	5,016,363	5,130,191	1,120,799
4022	Ltd Tax Rfd Bonds Series 2011A	-	328,318	171,942	156 376
4023	Unltd Tx Rf Bds Sr 11B	-	293,075	173,602	119,473
4024	Ltd Tax Rfd Bnds Sr 2011C	-	405,991	282,955	123,036
4026	Ltd Tax Refund Bds Sr 2012	-	218 648	1,061,444	(842,796)
4205	Constr/Imprv Tax/Rev COB 99	190,276	11 418	11,317	190,377
4214	Comb Tax/Rev COB Sr 2003	344,487	691 774	862,162	174,098
4215	Limited Tax Jst Cntr Bds 2001	171,516	3,027,561	143 563	3,055,513
4216	Lmtd Tax Criminal Jst Sr 03A	592,155	1,896,931	1,922,477	566,609
4230	COB 2002A Prk Rds/Prking Lots	222,198	702,337	770,768	153 768
4284	GOblg Refunding '99-01 Bnds'04	1,229,076	4,038,753	4,295,903	971 926
4358	Pass Thru Toll Rv-Ltd TxBdSr07	294,863	3,509,120	2,765,169	1 038 814
4362	COB 2002 San Luis Pass Bridge	259,705	419,631	536,718	142 619

GALVESTON COUNTY, TEXAS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
As of August 31, 2012
(UNAUDITED)

Fund Number	Fund Title	Beginning Balance Fiscal Year 2012	Receipts	Disbursements	Ending Balance As of August 31, 2012
4368	Unlimited Tax Rd Bds Ser 2001	181,829	1,105	3,367	179 566
4369	Unlimited Tax Road Bd Sr 2003B	284,269	472 070	496,722	259,617
4370	Unlimited Tax Rd Ref Sr 2004A	552,116	2 096 063	1,939,711	708,468
4371	Unltd Tax Road Bonds Sr 2009	2,049,785	8,593,480	8,555,587	2 087,678
4390	Ltd Tx Fl Ctr BAB Sr 09C-1	319,388	830 117	953,878	195,627
4392	Gal Cnty Cert of Oblig Sr 2008	502,189	1 355 547	1,468,226	389,510
4393	Ltd Tx Fld Ctrl BAB Sr 09C-2	297,471	655,691	804,540	148,622
	TOTAL DEBT SERVICE FUNDS	**9,894,279**	**38,415,171**	**36,223,027**	**12,086,423**
6123	Group,Wrks'Comp,Unemplmnt Ins	5,770,147	26 583 638	25,327,021	7,026,764
6124	Workers Compensation Fund	1,832,593	62,640	1,895,233	0
6130	Self Insurance Reserve Fund	1,035,100	3,245,829	2,738,410	1,542,519
	TOTAL INTERNAL SERVICE FUNDS	**8,637,840**	**29,892,106**	**29,960,664**	**8,569,282**
7601	Payroll Fund	725,081	127,190,701	127,203,638	712 144
7605	Escrow Fund	1 067,445	4,630,310	4,708,203	989 552
7606	Debt Service Agency Fund	5,311	-	-	5,311
7611	Tax Assess/Coll Undist Coll Fd	4,445,181	-	-	4 445,181
7621	Appellate Judicial Sys Fees Fd	-	36 243	156	36,087
7631	County Clerk Trust Fund	1,105,403	-	-	1,105,403
7641	District Clerk Trust Fund	2,433 344	-	-	2 433 344
7652	Inmate Trust Fund	30,480	-	-	30,480
7671	Children Prot Serv Escrow Fd	10,223	-	-	10 223
	TOTAL AGENCY FUNDS	**9,822,467**	**131,857,253**	**131,911,996**	**9,767,725**
	GRAND TOTAL	**$ 171,334,802**	**$ 575,833,711**	**605,389,517**	**141,778,998**

Galveston County, Texas
Operating Transfers In and Out
As of August 31, 2012

	Transfers In	Transfers Out
PRIMARY GOVERNMENT		
General Fund		
4912102 - Transfer frm Cnty Cr	451,000	-
4912106 - Transfer from Dist C	40,000	-
4912205 - Transfer Frm Courths	6,200	-
4912211 - Trsf from Law Librar	1,600	-
4912216 - Trnsf from Probate C	70,100	-
4912245 - Trsf frm Tsk Frc Sei	5,400	-
4912301 - Trsf frm Road & Brdg	87,200	-
4912303 - Transfer from Frm to	75,000	-
4912341 - Transfer from Road D	100,000	-
4912601 - Trsf from Beach & Pa	7,700	-
4912867 - Transfer from SCAPP	0	-
4912885 - Trans frm Childrens	1,684	-
4912891 - Transfer from OEM Gr	3,435	-
4913100 - Transf frm County Ca	250,000	-
5912101 - Trf to Records Manag	-	30,400
5912230 - Trf to Juv Justice	-	3,050,000
5912501 - Trf to Child Welfare	-	200,000
5916130 - Trf to Self-Insured	-	2,100,000
Total for General Fund	1,099,320	5,380,400
Special Revenue Funds		
2101 - Cnty Records Mgt & Preservatio		
4911101 - Transfer from Genera	30,400	-
5916123 - Trf to Group Insuran	-	1,500
5916130 - Trf to Self-Insured	-	1,500
2102 - Co Clerk Rec Mgt & Pres Fund		
5911101 - Trf to General Fund	-	451,000
5912104 - Tsf to County Clrk R	-	966,000
5916123 - Trf to Group Insuran	-	3,600
5916130 - Trf to Self-Insured	-	23,000
2103 - Election Srvs Contract Fund		
4912102 - Transfer frm Cnty Cr	966,000	-
2106 - Distr Clerk Records Mgmt Fund		
5911101 - Trf to General Fund	-	40,000
2205 - Courthouse Security Fund		
5911101 - Trf to General Fund	-	6,200
5916123 - Trf to Group Insuran	-	2,000
5916130 - Trf to Self-Insured	-	2,000
2211 - Law Library		
5911101 - Trf to General Fund	-	1,600
5913101 - Transfer to Capital	-	10,000
5916123 - Trf to Group Insuran	-	600
5916130 - Trf to Self-Insured	-	600

Galveston County, Texas

Operating Transfers In and Out

As of August 31, 2012

	Transfers In	Transfers Out
2216 - Probate Court Contributions Fd		
5911101 - Trf to General Fund	-	70,100
2220 - Adult Probation Fund		
5912824 - Transfer to CCP	-	88,584
2230 - Juvenile Justice Fund		
4911101 - Transfer from Genera	3,050,000	-
5911101 - Trf to General Fund	-	5,400
2260 - Emergency Management Fund		
5911101 - Trf to General Fund	-	87,200
5913101 - Transfer to Capital	-	75,000
5916130 - Trf to Self-Insured	-	940,000
2303 - Farm to Market Lateral Road		
5911101 - Trf to General Fund	-	75,000
5913101 - Transfer to Capital	-	50,000
5916123 - Trf to Group Insuran	-	25,000
5916130 - Trf to Self-Insured	-	39,000
2341 - Road District #1		
5911101 - Trf to General Fund	-	100,000
5916123 - Trf to Group Insuran	-	6,900
5916130 - Trf to Self-Insured	-	6,900
2370 - Flood Control Fund		
5913101 - Transfer to Capital	-	75,000
5916130 - Trf to Self-Insured	-	60,000
2401 - Public Health Fund		
5913101 - Transfer to Capital	-	40,000
5916130 - Trf to Self-Insured	-	20,000
2420 - Indigent Health Care Fund		
4911101 - Transfer from Genera	200,000	-
2601 - Beach & Parks Fund		
5911101 - Trf to General Fund	-	7,700
5916123 - Trf to Group Insuran	-	3,000
5916130 - Trf to Self-Insured	-	3,000
2824 - Adult Probation Community		
4912220 - Transfer from Adult	88,584	-
2867 - SCAAP Program Grant		
5911101 - Trf to General Fund	-	0
2885 - Children's Justice Act Proj		
5911101 - Trf to General Fund	-	1,684
2891 - Office of Emergency Mgt Grants		
5911101 - Trf to General Fund	-	3,435
2893 - HMGP - IKE		
Total for Special Revenue Funds	4,334,984	3,292,505

Capital Projects Funds

Galveston County, Texas
Operating Transfers In and Out
As of August 31, 2012

	Transfers In	Transfers Out
5911101 - Trf to General Fund	-	250,000
3101 - Capital Replenishment		
4912211 - Trsf from Law Librar	10,000	-
4912301 - Trsf frm Road & Brdg	75,000	-
4912303 - Transfer from Frm to	50,000	-
4912370 - Trsf from Flood Cont	75,000	-
4912410 - Transfer from Mosqui	40,000	-
3120 - Limited Tax Cnty Bldg Bds Sr09		
Total for Capital Projects Funds	250,000	250,000
Total, Primary Government	5,684,305	8,922,905
Internal Service Funds		
4912101 - Trsf from Records Ma	1,500	-
4912102 - Transfer frm Cnty Cr	3,600	-
4912205 - Transfer Frm Courths	2,000	-
4912211 - Trsf from Law Librar	600	-
4912303 - Transfer from Frm to	25,000	-
4912341 - Transfer from Road D	6,900	-
4912601 - Trsf from Beach & Pa	3,000	-
4916124 - Transfer Frm Workers	647,018	-
6124 - Workers Compensation Fund		
5916123 - Trf to Group Insuran	-	647,018
6130 - Self Insurance Reserve Fund		
4911101 - Transfer from Genera	2,100,000	-
4912101 - Trsf from Records Ma	1,500	-
4912102 - Transfer frm Cnty Cr	23,000	-
4912205 - Transfer Frm Courths	2,000	-
4912211 - Trsf from Law Librar	600	-
4912301 - Trsf frm Road & Brdg	940,000	-
4912303 - Transfer from Frm to	39,000	-
4912341 - Transfer from Road D	6,900	-
4912370 - Trsf from Flood Cont	60,000	-
4912410 - Transfer from Mosqui	20,000	-
4912601 - Trsf from Beach & Pa	3,000	-
Total for Internal Service Funds	3,885,618	647,018
Grand Total	$9,569,924	$9,569,924

BUDGET STATUS

GALVESTON COUNTY, TEXAS
GENERAL FUND
BUDGET STATUS BY DIVISIONS WITHIN A FUNCTION
08/31/2012

	FY 2012 BUDGET AS ADOPTED	FY 2011 ENCMBRANCE CARRYFRWRD	BDGT AMDMT INCREASE/ (DECREASE)	FY 2012 BUDGET AS AMENDED	CURRENT MONTH EXPNDTURES	YEAR-TO-DATE EXPNDTURES	ENCMBRANCE	AVAILABLE BALANCE
General Government								
General Administration								
110000 General Government	$4,971,200	$125,000	$7,370	$5,103,570	$358,283	$4,085,927	$324,059	$693,585
111000 County Judge	372,000	0	0	372,000	38,449	334,843	0	37,157
111100 Commissioners' Court	0	0	0	0	0	0	0	0
111101 Cnty Commissioner-Pct 1	188,300	0	0	188,300	18,925	153,728	0	34,572
111102 Cnty Commissioner-Pct 2	188,300	0	0	188,300	20,477	168,715	156	19,429
111103 Cnty Commissioner-Pct 3	185,700	0	0	185,700	18,639	152,155	0	33,545
111104 Cnty Commissioner-Pct 4	196,500	0	0	196,500	14,136	158,948	0	37,552
114000 County Clerk	2,138,400	0	0	2,138,400	223,317	1,848,679	295	289,425
114030 Election Expense	826,000	0	0	826,000	86,243	774,952	5,221	45,827
117500 War Veteran Service Off	148,700	0	0	148,700	15,230	121,142	0	27,558
117600 Bail Bond Board	500	0	0	500	0	0	0	500
Total General Administration	9,215,600	125,000	7,370	9,347,970	793,698	7,799,088	329,731	1,219,150
District Courts								
121000 District Courts	3,079,700	0	22,850	3,102,550	297,649	2,509,928	2,781	589,841
121100 10th District Court	181,500	0	0	181,500	20,039	164,198	0	17,302
121200 56th District Court	168,600	0	0	168,600	18,576	152,606	0	15,994
121300 122nd District Court	217,900	0	0	217,900	23,996	197,359	0	20,541
121400 212th District Court	168,600	0	0	168,600	18,292	154,698	0	13,902
121500 306th District Court	178,300	0	0	178,300	19,689	161,422	0	16,878
121600 405th District Court	181,500	0	0	181,500	19,949	163,486	0	18,014
Total District Courts	4,176,100	0	22,850	4,198,950	418,189	3,503,697	2,781	692,472
County Courts								
122100 County Court #1	477,000	9,999	0	486,999	54,191	452,696	0	34,303
122200 County Court #2	458,100	9,999	0	468,099	47,980	437,539	0	30,560
122300 Probate Court	637,400	0	0	637,400	60,932	541,071	16,950	79,379
122400 County Court #3	470,200	0	0	470,200	52,136	417,439	84	52,677
Total County Courts	2,042,700	19,997	0	2,062,697	215,239	1,848,744	17,034	196,919
Justice Courts								
123000 Justice Courts	0	0	0	0	0	0	0	0
123110 Justice Court Pct #1	203,500	0	0	203,500	22,071	181,905	1,058	20,536
123200 Justice Court Pct #2	169,300	0	0	169,300	18,547	152,587	0	16,713
123300 Justice Court Pct #3	282,300	0	0	282,300	29,924	247,852	0	34,448
123400 Justice Court Pct #4	291,000	0	0	291,000	31,852	263,474	0	27,526
123500 Justice Court Pct #5	258,200	0	0	258,200	28,380	218,619	0	39,581
123600 Justice Court Pct #6	323,600	0	530	324,130	34,012	287,947	0	36,183
123700 Justice Court Pct #7	258,000	0	0	258,000	26,714	210,035	249	47,716
123800 Justice Court Pct #8	199,800	0	1,250	201,050	20,911	184,124	0	16,926
123900 Justice Court Pct #9	246,100	0	0	246,100	22,650	186,665	0	59,435
Total Justice Courts	2,231,800	0	1,780	2,233,580	235,061	1,933,208	1,308	299,065

GALVESTON COUNTY, TEXAS
GENERAL FUND
BUDGET STATUS BY DIVISIONS WITHIN A FUNCTION
08/31/2012

	FY 2012 BUDGET AS ADOPTED	FY 2011 ENCMBRANCE CARRYFRWRD	BDGT AMDMT INCREASE/ (DECREASE)	FY 2012 BUDGET AS AMENDED	CURRENT MONTH EXPNDTURES	YEAR-TO-DATE EXPNDTURES	ENCMBRANCE	AVAILABLE BALANCE
Financial Admin /Other								
124020 Indigent Defense	0	0	0	0	0	0	0	0
125100 Jury and Trial Expense	64,100	0	0	64,100	2,753	51,103	0	12,997
126100 District Clerk	3,563,400	0	0	3,563,400	307,967	2,763,272	15,145	784,983
127100 District Attorney	5,617,100	0	0	5,617,100	638,470	4,824,077	13,273	779,751
128100 Pre-Trial Release	349,100	0	0	349,100	37,620	297,666	0	51,434
151300 County Auditor	2,371,900	0	0	2,371,900	227,776	1,870,522	1,936	499,442
151400 Professional Services	391,800	0	0	391,800	40,729	328,297	0	63,503
151480 Prof Svcs - Rd Dist #1	256,400	0	0	256,400	23,789	207,533	0	48,867
151500 Tax Assessor-Collector	2,552,500	0	7,700	2,560,200	267,933	2,260,845	7,285	292,070
151600 County Treasurer	505,900	10,000	0	515,900	48,260	401,557	2,245	112,098
151800 Purchasing Agent	560,000	0	0	560,000	56,398	465,722	3,421	90,857
153000 Legal Department	653,400	0	0	653,400	67,287	567,075	91	86,234
153020 Trial Expense	93,300	0	0	93,300	2,563	25,276	69	67,956
155000 Human Resources	407,400	0	0	407,400	43,762	335,590	1,186	70,624
159100 Information Technology	8,031,600	0	533,600	8,565,200	575,433	6,204,750	483,581	1,876,869
170100 Facilities Services	6,826,700	0	400,000	7,226,700	1,437,228	6,018,280	512,621	695,799
Maintenance/Repair of -								
171100 Public Buildings	0	0	0	0	0	0	0	0
Combined Services for -								
172111 Galveston	812,800	0	0	812,800	90,601	604,646	74,472	133,682
190100 County Engineer	598,200	5,369	30,100	633,669	44,954	417,775	9,152	206,742
Total Financial Admin /Other	33,655,600	15,369	971,400	34,642,369	3,913,523	27,643,987	1,124,475	5,873,908
Total General Government	51,321,800	160,366	1,003,400	52,485,566	5,575,710	42,728,724	1,475,329	8,281,513

GALVESTON COUNTY, TEXAS
GENERAL FUND
BUDGET STATUS BY DIVISIONS WITHIN A FUNCTION
08/31/2012

	FY 2012 BUDGET AS ADOPTED	FY 2011 ENCMBRANCE CARRYFRWRD	BDGT AMDMT INCREASE/ (DECREASE)	FY 2012 BUDGET AS AMENDED	CURRENT MONTH EXPNDTURES	YEAR-TO-DATE EXPNDTURES	ENCMBRANCE	AVAILABLE BALANCE
Public Safety								
Sheriff -								
211101 Administration	1,580,500	0	40,000	1,620,500	158,560	1,347,271	94,776	178,454
211121 Criminal Investigation	1,067,800	0	0	1,067,800	119,262	1,010,711	358	56,731
211131 Identification Division	525,200	0	0	525,200	51,860	446,531	161	78,508
211132 M H M R	444,000	0	0	444,000	50,000	399,027	229	44,744
211133 Corrections	20,754,040	0	52,500	20,806,540	1,792,795	17,694,493	907,372	2,204,675
211142 Bolivar Summer Program	199,600	0	0	199,600	13,485	173,238	0	26,362
211143 Patrol Division	2,981,300	0	5,200	2,986,500	320,700	2,713,037	214	273,249
211150 Warrants	1,313,000	0	2,200	1,315,200	144,381	1,175,721	683	138,796
211160 Training	124,400	0	0	124,400	10,556	87,756	8,345	28,299
211163 Clear Creek I S D	1,968,700	0	2,200	1,970,900	217,478	1,813,331	0	157,569
211165 Marine Division	0	0	0	0	0	0	0	0
211171 Communications	631,000	0	0	631,000	76,235	563,346	85	67,569
211181 Reserves	0	0	0	0	0	0	0	0
211182 Special Programs	0	0	0	0	0	0	0	0
211189 Bailiffs	0	0	0	0	0	0	0	0
Total Sheriff	31,589,540	0	102,100	31,691,640	2,955,312	27,424,461	1,012,223	3,254,955
Constables -								
220130 Jstce Adm-CRT Fines/Fees	0	0	0	0	0	0	0	0
223110 Constable - Precinct #1	269,000	0	0	269,000	21,437	228,950	35	40,015
223200 Constable - Precinct #2	264,300	0	0	264,300	28,465	237,741	0	26,559
223300 Constable - Precinct #3	365,700	0	0	365,700	38,344	327,776	340	37,584
223400 Constable - Precinct #4	287,500	0	0	287,500	29,221	248,098	883	38,519
223500 Constable - Precinct #5	277,400	0	0	277,400	28,400	248,175	266	28,959
223600 Constable - Precinct #6	0	0	0	0	0	0	0	0
223700 Constable - Precinct #7	349,300	0	0	349,300	36,234	299,945	0	49,355
223800 Constable - Precinct #8	471,100	0	0	471,100	48,538	408,893	1,408	60,799
223900 Constable - Precinct #9	216,400	0	0	216,400	23,010	191,326	129	24,945
Total Constables	2,500,700	0	0	2,500,700	253,650	2,190,903	3,061	306,736
Other -								
224100 Medical Examiner	0	0	0	0	0	0	0	0
291010 Emergency Management	730,500	0	0	730,500	32,105	640,015	373	90,112
291089 Bolivar Beach Nourishmen	0	0	0	0	0	0	0	0
292010 Disaster Recovery	0	0	0	0	0	0	0	0
Total Other	730,500	0	0	730,500	32,105	640,015	373	90,112
Total Public Safety	34,820,740	0	102,100	34,922,840	3,241,067	30,255,380	1,015,657	3,651,803

GALVESTON COUNTY, TEXAS
GENERAL FUND
BUDGET STATUS BY DIVISIONS WITHIN A FUNCTION
08/31/2012

	FY 2012 BUDGET AS ADOPTED	FY 2011 ENCMBRANCE CARRYFRWRD	BDGT AMDMT INCREASE/ (DECREASE)	FY 2012 BUDGET AS AMENDED	CURRENT MONTH EXPNDTURES	YEAR-TO-DATE EXPNDTURES	ENCMBRANCE	AVAILABLE BALANCE
Health/Social Services								
411010 Public Health	2,973,700	0	0	2,973,700	58,252	2,883,764	0	89,936
411035 Pollution Control	206,900	0	0	206,900	11,633	191,767	0	15,133
411043 Animal Services	480,300	0	0	480,300	0	480,300	0	0
411071 Coastal Health & Wellnes	3,610,600	0	0	3,610,600	0	3,610,600	0	0
440100 Community Services	3,373,600	0	219,300	3,592,900	375,326	3,406,480	119,829	66,590
443100 Indigent Care/Medication	877,900	0	1,000	878,900	79,881	650,686	7,280	220,934
451110 Senior Citizens	703,500	0	6,861	710,361	90,148	493,166	50,677	166,518
451187 SER Jobs for Progress	0	0	0	0	0	0	0	0
Total Health/Soc Srvcs	12,226,500	0	227,161	12,453,661	615,240	11,716,763	177,786	559,111
Culture and Recreation								
513200 Galv County Museum	164,900	0	0	164,900	14,959	78,288	0	86,612
522020 Parks Department	2,385,250	240,251	1	2,625,502	193,379	1,563,090	54,162	1,008,250
544042 Beach Maintenance	590,750	0	0	590,750	75,795	358,718	37,199	194,832
Total Culture and Recreation	3,140,900	240,251	1	3,381,152	284,134	2,000,096	91,362	1,289,694
Conservation								
610200 County Extension	483,200	0	0	483,200	44,089	394,618	4,912	83,670
Total Conservation	483,200	0	0	483,200	44,089	394,618	4,912	83,670
Capital Outlay								
720100 Buildings	0	54,000	0	54,000	40,000	54,000	0	0
730100 Imprvmt Other Than Bldgs	63,700	86,627	35,151	185,478	25,033	80,493	10,208	94,777
740100 Furniture/Fixtures/Equip	239,900	0	10,000	249,900	6,652	139,679	66,120	44,101
740101 Vehicles	368,400	0	43,139	411,539	101,799	370,539	35,820	5,180
750100 Technology	1,920,000	0	0	1,920,000	340,532	635,808	576,189	708,003
Total Capital Outlay	2,592,000	140,627	88,290	2,820,917	514,017	1,280,519	688,337	852,061
Total Expenditures	104,585,140	541,244	1,420,952	106,547,336	10,274,257	88,376,100	3,453,384	14,717,852
Other Financing Uses								
921010 Transfers and Reserves	25,480,400	0	(1,242,800)	24,237,600	0	5,380,400	0	18,857,200
Total Other Financing Uses	25,480,400	0	(1,242,800)	24,237,600	0	5,380,400	0	18,857,200
Total Expenditures and Other Financing Uses	130,065,540	541,244	178,152	130,784,936	10,274,257	93,756,500	3,453,384	33,575,052
Total Expenditures, Other Financing Uses, and Residual Equity Transfers Out (Note 5)	$130,065,540	$541,244	$178,152	$130,784,936	$10,274,257	$93,756,500	$3,453,384	$33,575,052

GALVESTON COUNTY, TEXAS
OTHER COUNTY FUNDS
BUDGET STATUS BY FUND
08/31/2012

FUND NUMBER AND NAME	FY 2012 BUDGET AS ADOPTED	FY 2011 ENCMBRANCE CARRYFRWRD	BDGT AMDMT INCREASE/ (DECREASE)	FY 2012 BUDGET AS AMENDED	CUR MO EXPS /OTHR DEBITS	YEAR-TO-DATE EXPS /OTHR DEBITS	ENCMBRANCE	AVAILABLE BALANCE
Budgeted Special Revenue Funds								
2101 County Records Management	$243,300	$0	$0	$243,300	$0	$176,300	$0	$67,000
2102 Cty Clk Mgmt /Prsrv Fee	2,212,100	199,310	0	2,411,410	32,526	1,773,597	25,902	611,911
2105 D C Child Support IV-D	70,700	0	0	70,700	0	0	0	70,700
2106 Distr Clerk Records Mgmt	170,000	0	0	170,000	0	40,000	0	130,000
2121 Donations to Galv County	0	0	10,000	10,000	1,539	4,039	0	5,961
2205 Courthouse Security	378,250	0	0	378,250	19,979	203,941	484	173,825
2211 Law Library	375,300	0	0	375,300	42,385	321,357	0	53,943
2212 Mediation Services Program	875,000	0	0	875,000	5,654	38,342	450	836,208
2215 Justice Court Technology	130,000	0	0	130,000	0	60,000	0	70,000
2230 Juvenile Justice	5,284,500	0	0	5,284,500	960,887	4,050,632	164,159	1,069,709
2260 Emergency Management	2,600,000	0	0	2,600,000	41,670	193,119	88,741	2,318,139
2301 Road and Bridge	8,104,900	0	0	8,104,900	560,863	5,677,729	270,789	2,156,382
2303 Farm-to-Market Lateral Rd	1,373,400	80,814	0	1,454,214	28,896	365,211	0	1,089,003
2341 Road District #1	819,700	0	0	819,700	706	140,494	414	678,792
2370 Flood Control	3,607,000	496,250	0	4,103,250	154,592	1,759,578	915,288	1,428,384
2410 Mosquito Control District	1,771,500	0	0	1,771,500	131,853	1,121,226	57,376	592,898
2420 Indigent Health Care Fund	7,648,000	10,942,930	(10,934,452)	7,656,478	83,584	2,785,345	36,838	4,834,294
2501 Child Welfare	559,700	0	0	559,700	19,067	191,313	68,545	299,842
2601 Beach and Parks	680,000	0	0	680,000	9,431	84,497	8	595,496
2621 Galveston County Museum	17,000	0	0	17,000	0	0	0	17,000
Subtotal, Special Revenue	36,920,350	11,719,304	(10,924,452)	37,715,202	2,093,633	18,986,721	1,628,993	17,099,488
Budgeted Debt Service Funds								
4020 Gen Oblig Refnd Bd Sr 07	3,855,700	0	0	3,855,700	0	3,853,175	0	2,525
4021 Ltd Tx Cnty Bld Bd Series	3,832,100	0	0	3,832,100	0	3,829,829	0	2,271
4022 Ltd Tax Rfd Bnds Sr 2011A	0	0	162,550	162,550	0	4,669,717	0	(4,507,167)
4023 UnLtd Tx Rfd Bds Sr 2011B	0	0	163,432	163,432	0	4,671,916	0	(4,508,484)
4024 Ltd Tax Rfd Bnds Sr 2011C	0	0	275,775	275,775	0	3,795,736	0	(3,519,961)
4026 Ltd Tax Refund Bds Sr 2012	0	0	0	0	0	47,530,092	0	(47,530,092)
4214 Comb Tax/Rev C O B 2003C	1,028,200	0	(195,187)	833,013	0	831,200	0	1,813
4215 Jstc Ctr/Pub Sfty Ser 2001	0	0	0	0	0	0	0	0
4216 Ltd Tx Crim Jstc Bds 2003A	1,907,600	0	0	1,907,600	0	1,905,363	0	2,238
4230 Pk Rds/Lot Imprv COB 2002A	432,200	0	(56,440)	375,760	0	373,213	0	2,548
4282 Ltd Tax Frwd Rfdg Bds 2003	0	0	0	0	0	0	0	0
4284 GO 1999/2001 Rfdg Bds 2004	4,274,100	0	0	4,274,100	0	4,271,898	0	2,202
4358 Pass Thru Toll Rv LtTxBdSr	3,709,600	0	0	3,709,600	0	2,750,647	0	958,953
4362 SanLuisPass Brdge COB 2002	602,600	0	(78,545)	524,055	0	521,475	0	2,580
4368 Unltd Tax Rd Bnd Ser 2001	0	0	0	0	0	0	0	0
4369 Unltd Tax Road Bonds 2003B	674,600	0	(85,885)	588,715	0	478,100	0	110,615
4370 Unltd Tx Rd Rfdg Bds 2004A	1,939,700	0	0	1,939,700	0	1,937,455	0	2,246
4371 Unltd Tx Rd Bds Sr09	6,389,600	0	0	6,389,600	0	6,387,350	0	2,250
4390 Ltd Tx Fl Ctr BAB Sr09C-1	739,700	0	0	739,700	0	737,450	0	2,250
4392 Gal Cnty Cert Oblig Sr2008	1,461,600	0	0	1,461,600	0	1,459,010	0	2,590
4393 Ltd Tx Fld Ctrl BAB Sr 09C	574,300	0	0	574,300	0	572,041	0	2,259
Subtotal, Debt Service	31,421,600	0	185,700	31,607,300	0	90,575,665	0	(58,968,365)

GALVESTON COUNTY, TEXAS
OTHER COUNTY FUNDS
BUDGET STATUS BY FUND
08/31/2012

	FY 2012 BUDGET AS ADOPTED	FY 2011 ENCMBRANCE CARRYFRWRD	BDGT AMDMT INCREASE/ (DECREASE)	FY 2012 BUDGET AS AMENDED	CUR MO EXPS /OTHR DEBITS	YEAR-TO-DATE EXPS /OTHR DEBITS	ENCMBRANCE	AVAILABLE BALANCE
Budgeted Internal Service Funds								
6123 Group Insurance	15,741,600	0	0	15,741,600	1,396,210	11,971,512	480,536	3,289,552
6124 Workers' Compensation	0	0	0	0	0	647,019	0	(647,019)
6130 Self-Insurance Reserve	4,111,500	0	(30,750)	4,080,750	5,860	2,540,539	23,223	1,516,988
Subtotal, Internal Service	19,853,100	0	(30,750)	19,822,350	1,402,070	15,159,070	503,758	4,159,521
Grand Total (Note 6)	$88,195,050	$11,719,304	$(10769,502)	$89,144,852	$3,495,703	$124721,456	$2,132,751	$(37709,356)

AGENDA
ITEM
#1e

THE COUNTY OF GALVESTON

COUNTY AUDITOR'S OFFICE
P O Box 1418
GALVESTON, TEXAS 77553

Cliff Billingsley, CPA
County Auditor

Ron Chapa, CPA
First Assistant, Director of Auditing

Jeff Modlewski, CPA
First Assistant, Director of Accounting

LaToya Jordan
First Assistant, I T System

December 11, 2012

Honorable Judge Mark Henry and
Members of the Commissioners' Court

Honorable Judge and Members of the Court

Attached for your consideration is the Audited FY 2012 Chapter 59 Asset Forfeiture Report that was completed by the Auditor's Office for the Galveston County Sheriff's Office The report covers the period of October 1, 2011 to September 30, 2012 As required by statute, the report has been forwarded to the Office of the Attorney General and to the State Comptroller's Office

Sincerely,

Cliff Billingsley, CPA
County Auditor

cc Sheriff Freddie Poor

Attachments Audit Report
FY 2012 Chapter 59 Asset Forfeiture Report

THE COUNTY OF GALVESTON

COUNTY AUDITOR'S OFFICE
P O Box 1418
GALVESTON, TEXAS 77553

Cliff Billingsley, CPA
County Auditor

Ron Chapa, CPA
First Assistant, Director of Auditing

Jeff Modzelewski, CPA
First Assistant, Director of Accounting

LaTova Jordan
First Assistant, I T System

Date: November 19, 2012

To. Sheriff Freddie Poor
Galveston County Sheriff

From: Yun Yap

Re: Audit - FY 2012 Sheriff's Office Code of Criminal Procedure (CCP) Chapter §59, Asset Forfeiture/Seizure Account

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The Internal Audit Division performed the annual audit of the Sheriff's Office Chapter §59, Asset Forfeiture/Seizure Account as required by statute The audit covered the period October 1, 2011 through September 30 2012 and was performed from October 1 to November 16, 2012 The primary objectives of the annual audit are to provide reasonable assurance concerning the reliability and integrity of the information and compliance with applicable laws and policies

To accomplish these objectives, Internal Audit reviewed the seizures, forfeitures, and expenditures made out of the Asset Forfeiture/Seizure account during this reporting period

The Sheriff's Office is in compliance with CCP Chapter §59 All forfeitures that were awarded by the Courts were deposited into the forfeiture account Attached is a listing of the findings that need to be corrected Please notify Internal Audit once the corrections have been made

We appreciate the assistance and cooperation provided by you and your staff during the audit

cc Cliff Billingsley, CPA
County Auditor

Attachment FY 2012 Chapter 59 Asset Forfeiture Report

GALVESTON COUNTY AUDITOR'S OFFICE – INTERNAL AUDIT DIVISION
GALVESTON COUNTY SHERIFF'S OFFICE
FY 2012 CHAPTER 59 ASSET FORFEITURE REPORT
AUDIT PERIOD FROM OCTOBER 1, 2011 – SEPTEMBER 30, 2012
A LIST OF THE AUDIT FINDINGS
PREPARED BY· YUN YAP

The following is a list of the findings identified during the audit that should be settled

1) Four deposits of "Buy Money" totaling $205 00 were recorded incorrectly to the Unsettled Contraband Case Seized Funds/ 2242-2461001 account These deposits should have been recorded into the Petty Cash Fund/ 2242-5600500 To report the total Petty Cash Funds accurately, request the Accounting Division to re-class these deposits into the Petty Cash account (2242-5600500) Listed are the deposit warrant numbers that are associated with the error above DW#129415, DW#132026 and DW#133869

2) A seizure totaling $530 76 (DW#135162, dated 09/24/2012) was deposited into the Unsettled Contraband Cases-Seized Funds Account /2242-2461001 This seizure was never filed as a contraband seizure case This amount needs to be refunded to the party from which the funds were seized

FY 2012
CHAPTER 59 ASSET FORFEITURE REPORT
BY LAW ENFORCEMENT AGENCY

Agency Name	Galveston County Sheriff's Office	Reporting Period (local fiscal year)	10/01/11 - 09/30/12
Name of Agency Head (Chief Sheriff etc) (Printed)	Freddie Poor	example	01/01/12 to 12/31/12, 09/01/11 to 08/31/12 etc
Agency Mailing Address	601 54th Street Galveston, TX 77550		
Phone Number	(409) 766-2301		
County	Galveston		
Email Address		This should be a permanent agency email address	

NOTE PLEASE ROUND ALL DOLLAR FIGURES TO NEAREST WHOLE DOLLAR

I SEIZED FUNDS (Funds that have been seized, but have not yet been awarded to your agency by the judicial system)

A)	Beginning Balance **Instructions** Include total amount of seized funds on hand (in your agency's possession) at beginning of reporting period Include funds that may have been forfeited but have not been transferred to your agency's forfeiture account **Do not** include funds that are in an account held by another agency, e g , the District Attorney's account	$ 191,812
B)	Ending Balance **Instructions** Include total amount of seized funds on hand (in your agency's possession) at end of reporting period **Do not** include funds that are in an account held by another agency e g the District Attorney's account	$ 201,504

II FORFEITED FUNDS (Funds awarded to your agency by the judicial system)

A)	Beginning Balance **Instructions** Include total amount of forfeited funds that have been forfeited **to your agency** and are on hand (in your agency's account or in your agency's possession) at the beginning of the reporting period including interest **Do not** include funds that have been forfeited but not yet received by your agency	$ 118,532
B)	Ending Balance **Instructions** Include total amount of forfeited funds that have been forfeited **to your agency** and are on hand (in your agency's account or in your agency s possession) at the end of the reporting period including interest **Do not** include funds that have been forfeited but not yet received by your agency	$ 68,335

III SEIZURES DURING REPORTING PERIOD

A)	Motor Vehicles (the number of vehicles not a currency amount)	
B)	Real Property (the number of separate parcels of property not a currency amount	
C)	Computers (the number of computers not a currency amount)	
D)	Firearms (the number of firearms not a currency amount)	
E)	Other (the number of items not a currency amount)	

VII EXPENDITURES

Instructions This category is for **Chapter 59 expenditures SOLELY for law enforcement purposes** not for expenditures made pursuant to your general budget List the total amount expended for each of the following categories If proceeds are expended for a category not listed, state the amount and nature of the expenditure under the Other category

A)		**SALARIES**		
	1	Increase of Salary, Expense, or Allowance for Employees (Salary Supplements)	$	
	2	Salary Budgeted Solely From Forfeited Funds	$	
	3	Number of Employees Paid Using Forfeiture Funds		
		TOTAL SALARIES PAID OUT OF CHAPTER 59 FUNDS		$

B)		**OVERTIME**		
	1	For Employees Budgeted by Governing Body	$	
	2	For Employees Budgeted Solely out of Forfeiture Funds	$	
	3	Number of Employees Paid Using Forfeiture Funds		
		TOTAL OVERTIME PAID OUT OF CHAPTER 59 FUNDS		$

C)		**EQUIPMENT**		
	1	Vehicles	$ 18,342	
	2	Computers	$	
	3	Firearms, Vests, Personal Equipment	$ 6,367	
	4	Furniture	$	
	5	Software	$	
	6	Maintenance Costs	$ 23,633	
	7	Uniforms	$ 26,393	
	8	K9 Related Costs	$	
	9	Other (Provide Detail on Additional Sheet)	$ 5,261	
		TOTAL EQUIPMENT PURCHASED WITH CHAPTER 59 FUNDS		$ 79,995

	4	Other (Provide Detail on Additional Sheet)	$	
		TOTAL INVESTIGATIVE COSTS PAID OUT OF CHAPTER 59 FUNDS		$ 28,491

H)		TOTAL PREVENTION/TREATMENT PROGRAMS/FINANCIAL ASSISTANCE		
	1	Total Prevention/Treatment Programs (pursuant to 59 06 (h), (l), (j))	$	
	2	Total Financial Assistance (pursuant to Articles 59 06 (n) and (o))	$	
		TOTAL PREVENTION/TREATMENT PROGRAMS/FINANCIAL ASSISTANCE (pursuant to Articles 59 06 (h), (l), (j), (n), (o))		$

I)		FACILITY COSTS		
	1	Building Purchase	$	
	2	Lease Payments	$	
	3	Remodeling	$	
	4	Maintenance Costs	$	
	5	Utilities	$	
	6	Other (Provide Detail on Additional Sheet)	$	
		TOTAL FACILITY COSTS PAID OUT OF CHAPTER 59 FUNDS		$

J)		MISCELLANEOUS FEES		
	1	Court Costs	$	
	2	Filing Fees	$	
	3	Insurance	$	
	4	Witness Fees	$	
	5	Audit Costs and Fees	$	
	6	Other (Provide Detail on Additional Sheet)	$ 50	
		TOTAL MISCELLANEOUS FEES PAID OUT OF CHAPTER 59 FUNDS		$ 50

K)	PAID TO OR SHARED WITH COOPERATING AGENCY		$
L)	TOTAL OTHER PAID OUT OF CHAPTER 59 FUNDS (provide detailed descriptions on additional sheet(s) and attach to this report)		$
M)	TOTAL EXPENDITURES		$

FY 2012 CHAPTER 59 ASSET FORFEITURE REPORT BY LAW ENFORCEMENT AGENCY
THE COUNTY OF GALVESTON SHERIFF'S OFFICE
SCHEDULE OF THE OTHER EXPENDITURES
REPORTING PERIOD: OCTOBER 1, 2011 - SEPTEMBER 30, 2012

C9. Equipment (Other)

1/6/2012	C203326	GULF COAST COMP HUMMINBIRD 998	1,850 00
1/6/2012	C203326	GULF COAST COMP LABOR/INSTALLA	292 50
2/10/2012	C203792	GPS INTELLIGENC STEALTH 2 GPS	1,900 00
2/10/2012	C203792	GPS INTELLIGENC SHIPPING/HANDL	18 00
2/10/2012	C203792	GPS INTELLIGENC 1 YR UNLIMITED	1,200 00
			$5,260.50

J6. Miscellaneous Fees (Other)

4/9/2012	C205586	IACP MODEL POLICY Subscription Renewal	50 00
			$50.00

Attachment #1

Case# 12CV0563

$7,979.00 In U.S. Currency	
One 1998 black and blue Harley Davidson Motorcycle VIN # 1HD4CEM16WY208854	Jose A Carmona, Jr is registered owner
Black 2008 utility trailer, VIN # 4ZEHH101481043865	Mildred Wickliffe is registered owner
Phillips TV, Model # 42PFL3603D4/27, Serial # YA1C0824018967	
Samsung TV, Model # LN26A330J1D, Serial # AKZ33CPQ304862P	
Toshiba TV, Model # 26SL400U, Serial # A28174C01749C1	
LG TV, Model # 47LK520, Serial # 108RMRH8M470	
JVC TV, Model # LT-47EM59, Serial # 13320659	
Samsung TV, Model # UN55B6000VF, Serial # AZ1J3CKS301327N	
Sony Laptop Computer, Model # PCG-3F4L, Serial # PD9512ANH	

Attachment #2

Case# 11CV1971

Property Seized

$ 2,900 (FROM Red Canvas Money Bag #1)
$1,062 (from Red Canvas Money Bag #2)
$824 (on the person of Ronald Ally, proprietor)
$195 (in game room employee's apron)
$180 (from East Wall Cash Box)
$135 (from West Wall Cash Box)
$40 (from ATM machine)
$1,057 (stacked on top of desk in living room)
$19 37 (downstairs bedroom)
Total cash from game room and house $6,412 37
52 Video Gambling Machines
One __maroon 2010 Nissan Rogue, Georgia registration BNQ1873, Vehicle Identification Number JN8AS5MT9AW030231

One small Computer Moniter E-Machines, GRY MWS74B0H01880
One DVR (digital video recorder), ZMODO BLK 4665500243
One INGENICO ELITE 510 Debit Card Terminal
Dell Notebook Computer, Serial # G6Q96H1
Samsung _Notebook Computer, Serial # ZLMK93BZ10034QC__________, (Item #6 on Ron's inventory)
Sony desktop computer, Serial # 275389853004462[
12 Motherboards for gaming machines
Sony _Laptop Computer, Serial # 27505730300000878
WD External Hardrive
Ingenico adding machine

Attachment #3

Case# 12CV0760

<u>Property Seized</u>

$40.00 revovered from the city wide ATM

$1,025.00 reovered from attendant Georgia King

$2,518 00 recovered from the video gaming machines

$2,677 00 revocered from the desk drawer in the office

$187 00 (In Presidential Gold Coins) recoved from the main lobby desk drawer

$7,751 00 Recovered from the lock box located in the main office

GRAND TOTAL $14,198.00

1 Citywide ATM ($40 00 located inside, noted above) by Dixie Farm-Exaco Inc

70 video gaming machines

4 wooden stands

1 neon - open sign

1 antenna

1 wireless video system

17 surveillance video cameras

1 Toshiba computer (located in office) Model# G66C00026C10, Serial # 00196119007589

1 Hitchi projector CPX 3511 ser# F0F00048 (located in game room)

1 Dnodis ice machine Model # ICEU220FA1 Ser# 06021280013670

1 DVR QSEE Model # AS206 Serial # 201103151371

1 Cocal-Cola Drink Cooler

1 Sanyo Flat screen television monitor model# DP26648 ser# [illegible]

1 Sanyo Flat screen television monitor model# DP26648 ser# [illegible]

Haier Flat screen television monitor Serial# [illegible]

2 Dry eraser boards, approximately 3' x 4'

Attachment #4

Case# 12CV0885

Property Seized:
$7,646.00 In U.S Currency from Gambling Machines and safe boxes
$410.00 in U S. Currnecy from the apron of the attendant of duty
$4,020.00 In U S Currnecy from an ATM in the game room
GRAND TOTAL: $12,076.00
One 32 inch Sanyo flat panel television, model # DP32671, SN D1380858513330
One 32 inch Olevia flat panel televisino, model # 232 - T12, SN VQCD872100014
One 4'x3' Dry Eraser Board
One Carrier brand glass front refridgerator, model # MC750-1-64, SN 1208x45412
one large refridgerator, no identifying brand or numbers
5 leather recliner chairs
one ATM (automated teller machine), owned by Citywide ATM
One Sentry brand key-lock safe, #BR521706
One currency bill counter, Royal Sovereign brand, RBC-1003BK, SN K11H06078265
One Inkjet printer-scanner, HP 4500 series, SN CB755-6401
One Convertible hand dolly

AGENDA ITEM #2

COUNTY of GALVESTON
HUMAN RESOURCES

Katherine Branch
Assistant HR Director

Sandra Hernandez
Senior HR Analyst

Corey Jannett
Senior HR Analyst

Nicole White
HR Assistant

November 20, 2012

To Patricia Grady

From Kathy Branch

Re Commissioners' Court Agenda Item-Summary of Bi-Weekly Personnel Movements

Please submit the following item for the December 11, 2012 Commissioners' Court Agenda

Receive and file Summary of Bi-Weekly Personnel Movements pay period #24, November 8-21, 2012 submitted by Human Resources

Off. 409-770-5418 • Fax 409-770-5351
722 MOODY STREET • 3rd FLOOR • GALVESTON, TEXAS 77550

Summary of Bi-Weekly Personnel Movements

Pay Period # 24 November 8 - 21, 2012

	Positions	Current Appointments						Current Movements							Current Separations					
Department	Budgeted	FT	HT	PT	HR	Res	Total	Promo	Reclass	Reassign	Trans	Sal Adj	Demote	Total	Vol	Invol	Retire	Death	Other	Total
General Government	1 00						0							0						0
Facilities	19 0						0							0						0
Professional Services	6 0						0							0						0
Road District #1	5 0						0							0						0
County Judge	4 0						0							0						0
County Commissioners	8 0						0							0						0
Tax Office	51 5						0							0						0
County Auditor	33 0	1					1							0						0
County Clerk	43 0						0	1		1				2						0
County Clerk Records Mgmt	2 0						0							0						0
County Clerk Records Archives	6 0						0			2				2						0
County Clerk Elections	5 0						0							0						0
Purchasing Agent	8 0						0							0						0
County Treasurer	7 0						0							0						0
Veterans Service	3 0						0							0						0
Human Resources	5 0						0							0						0
County Legal	6 0						0							0						0
Justice Administration	6 0						0							0						0
District Courts	19 0						0							0						0
County Courts	9 0						0							0						0
County Probate Court	6 0						0							0						0
Justice Courts	44 0						0							0						0
District Clerk	50 0						0							0						0
District Attorney/Jury & Trial	75 0						0							0						0
Pre-Trial Release	7 0						0							0						0
Sheriff	516 0			1			1	1			1			2	1					1
Constables	46 0						0							0	1					1
Social Services	12 0						0							0						0
Child Welfare	1 0						0							0						0
Emergency Management	6 0						0							0						0
Extension Services	9 0						0							0						0
County Engineer	7 0						0							0						0
Building Inspector	2 0						0							0						0
Community Services	3 0						0							0						0
Information Technology	49 0						0	1						1	1					1
County Parks and Senior Services	68 0		1				1							0						0
Museum	2 0						0							0						0
Road & Bridge/Drainage/Beach	72 0	1					1				1			1						0
County Health District	1 0						0							0						0
Law Library	1 0						0							0						0
Juvenile Probation	68 0	1					1							0	1					1
Mosquito Control	13 0						0							0						0
Right of Way	1 0						0							0						0
Seawall Maintenance	6 0						0							0						0
Housing & Economic Dev	6 0						0							0						0
Adult Probation	45 0						0							0						0
Grand Total	1362 5	3	1	1	0	0	5	3	0	3	2	0	0	8	4	0	0	0	0	4
Job Applications Received	135																			

Revised 10/2012

Galv Cnty Production

Galveston County Human Resources Department

Employee Pay Assignment Changes for Payroll Period 11/8/2012 thru 11/21/2012

Division	Division Name	Employee Name	Type	Position Number and Description	Begin	End	GrSt	Annual	Rate *	Reason
114000	County Clerk	BORDEAUX, GABRIELA L	FTBE	10 DEPUTY COUNTY CLERK	11/15/2012		10A1	$28,055	1,079 05 B	REASSIGNMENT
114000	County Clerk	HERNANDEZ, BRANDON H	FTBE	30 SENIOR COURT CLERK-PROBATE	11/8/2012		12A1	$30,967	1,191 07 B	PROMOTION
114021	County Clerk Archive	CATO, ELIZABETH G	FTBE	7 DEPUTY COUNTY CLERK	11/15/2012		10A1	$28,055	1,079 05 B	REASSIGNMENT
114021	County Clerk Archive	JOHNSON, VON M	FTBE	4 DEPUTY COUNTY CLERK	11/15/2012		10A1	$28,055	1,079 05 B	REASSIGNMENT
114030	Election Expense	ANDREWS, EDNA M	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	BAILES, KOREY	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	BUBENIK-EVANS, BRADY	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	BUFORD, BRADLEY	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	BUFORD, ELAINE A	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	COBBS, DORIS	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	CONTRERAS JR, ERNEST	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	CROMER, THERESA C	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	DAVIS, PATRICIA L	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	GIAMFORTONE, BARBARA	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	GRIFFIN, ALAN	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	HALEY, SAMUEL	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	HUDGINS, SEAN M	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	LAWSON, THOMAS R	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	MCFARLAND, PATRICK M	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	SANCHEZ, SARAH	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	STANLEY, EMMA T	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	WILSON, DILLON	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	WOODKOCK, BRUCE	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
114030	Election Expense	WORTHY, ELIZABETH A	PTEL	500 ELECTION WORKER-TEMP	11/8/2012		0000	$10,400	10 00 H	APPOINTMENT
151300	County Auditor	GUSTAFSON, TERRI L	FTBE	55 ACCOUNTS PAYABLE	11/12/2012		12C1	$32,535	1,251 37 B	TRANSFER
152500	Housing	CANTU, ANGELA A	FTBE	403 ADMINISTRATIVE ASSISTANT	11/8/2012		12A1	$30,967	1,191 07 B	PSN # CHANGE
152500	Housing	CECCACCI, ROSALYN O	FTBE	405 ADMINISTRATIVE ASSISTANT	11/8/2012		12A1	$30,967	1,191 07 B	PSN # CHANGE
152500	Housing	GENTILE, JAMES M	FTBE	401 HOUSING & ECONO DIRECTOR	11/8/2012		23E1	$68,245	2,624 84 B	PSN # CHANGE
152500	Housing	POSEY, MAURA M	FTBE	406 ADMINISTRATIVE ASSISTANT	11/8/2012		12A1	$30,967	1,191 07 B	PSN # CHANGE

* Rate Type H = Hourly, B = Biweekly Salary

Galv Cnty Production

Employee Pay Assignment Changes for Payroll Period 11/8/2012 thru 11/21/2012

Division	Division Name	Employee Name	Type	Position Number and Description	Begin	End	GrSt	Annual	Rate *	Reason
152500	Housing	SARVIS, CRYSTAL L	FTBE	402 MONITORING COORDINATOR	11/8/2012		18A1	$41,648	1,601 86 B	PSN # CHANGE
159100	Information Technology	GONZALEZ JR, LEONARD	FTBE	33 NETWORK SUPPORT SPECIALIST I	11/8/2012		20A1	$45,971	1,768 15 B	PROMOTION
159100	Information Technology	WHITE, TAYLOR E	FTBE	5 CUST SUPPORT TECH I		11/8/2012	13C1	$34,182	1,314 72 B	TERMINATION
211133	Corrections-Sheriff	DRICKS, RICHARD D	FTBE	276 DEPUTY II		11/21/2012	14G1	$39,641	1,524 68 B	TERMINATION
211133	Corrections-Sheriff	HOGAN DAMON R	FTBE	115 DEPUTY II	11/13/2012		14G1	$39,641	1,524 67 B	CAREER LADDER
211143	Patrol Division	WELLER, TODD M	PTNS	81 DEPUTY, PART-TIME	11/12/2012		0000	$1,525	58 67 B	APPOINTMENT
211150	Warrant's Sheriff's	CARRIZALEZ, ROSE MARY	FTBE	15 WARRANT OFFICER	11/8/2012		16K1	$48,299	1,857 67 B	TRANSFER
223700	Constable Pct #7 - Matranga	PHILLIPS, KEILON J	FTBE	2 DEPUTY CONSTABLE-PCT 7		11/13/2012	15A1	$35,913	1,381 28 B	TERMINATION
256118	Detention	SIMMONS, SHAILEN J	FTBE	44 JUVENILE SUPERVISION OFCR	11/13/2012		1200	$32,201	1,238 52 B	APPOINTMENT
256119	Post Program	GALVAN ALAN M	FTBE	40 JUVENILE SUPERVISION OFCR		11/13/2012	1200	$32,201	1,238 52 B	TERMINATION
312120	F M Lateral Road	KNAPP, JAMES L	FTBE	28 HEAVY EQUIPMENT OPERATOR	11/8/2012		09A1	$26,703	1,027 06 B	APPOINTMENT
451185	Texas Feeding Texans	HARRIS DENASHA L	PTNH	401 DRIVER PART-TIME	11/8/2012		07A1	$12,084	464 80 B	PSN # CHANGE
522020	Parks Division	SISTER, MARY E	PTBH	102 RECEPTIONIST (CSR)	11/12/2012		02A1	$9,453	9 09 H	APPOINTMENT

* Rate Type H = Hourly, B = Biweekly Salary

AGENDA ITEM #3

TNMP

STACY WHITEHURST
VICE PRESIDENT OF REGULATORY AFFAIRS

577 N Garden Rıdge Blvd
Lewısville, TX 75067-2691

RECEIVED
NOV 27 2012
GALVESTON COUNTY JUDGE

November 19, 2012

Honorable Judge Mark Henry
722 Moody
Galveston, Texas 77550
Galveston County

Honorable Judge Henry

As requıred ın House Bıll 3059, Sectıon 366 005, Texas-New Mexıco Power Company ıs provıdıng new utılıty servıce connectıons for countıes you represent

Any questıons please contact Megan Mıller at 469-484-8585

Sıncerely,

Stacy R Whıtehurst

SRW/mm
Enclosure

cc Megan Mıller

Texas New Mexico Power Company
New Premise Turn-Ons
577 N Garden Ridge Blvd
Lewisville, Texas 75067
Phone 972-420-4189

County GALVESTON

Service Address	City/State/Zip	Established Date	Prem Code
2603 OHIO ST	LEAGUE CITY TX 77573	13-NOV-2012	575379
1177 BUTLER RD	LEAGUE CITY TX 77573	15-NOV-2012	575470
2018 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575666
2016 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575665
2014 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575663
2012 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575662
1540 CENTURY BLVD	TEXAS CITY TX 77591	12-NOV-2012	575229
21 20TH STS	TEXAS CITY TX 77590	12-NOV-2012	575319
2312 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575619
2314 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575620
2316 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575621
2318 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575622
2320 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575623
2311 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575624
2313 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575625
2315 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575626
2317 BULLHEAD DR	LEAGUE CITY TX 77573	15-NOV-2012	575627
2023 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575650
2021 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575651
2019 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575652
2017 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575653
2015 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575654
2013 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575655
2011 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575656
2009 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575657
2007 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575658
2005 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575659
2008 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575660

Texas New Mexico Power Company
New Premise Turn-Ons
577 N Garden Ridge Blvd
Lewisville, Texas 75067
Phone 972-420-4189

County GALVESTON

Service Address	City/State/Zip	Established Date	Prem Code
2010 ORACLE DR	LEAGUE CITY TX 77573	15-NOV-2012	575661

TNMP

STACY WHITEHURST
VICE PRESIDENT OF REGULATORY AFFAIRS

577 N Garden Ridge Blvd
Lewisville, TX 75067-2691

RECEIVED
NOV 27 2012
GALVESTON COUNTY JUDGE

November 26, 2012

Honorable Judge Mark Henry
722 Moody
Galveston, Texas 77550
Galveston County

Honorable Judge Henry

As required in House Bill 3059, Section 366 005, Texas-New Mexico Power Company is providing new utility service connections for counties you represent

Any questions please contact Megan Miller at 469-484-8585

Sincerely,

Stacy R Whitehurst

SRW/mm
Enclosure

cc Megan Miller

Texas New Mexico Power Company
New Premise Turn-Ons
577 N Garden Ridge Blvd
Lewisville, Texas 75067
Phone 972-420-4189

County GALVESTON

Service Address	City/State/Zip	Established Date	Prem Code
2608 VIRGINIA AVE	LEAGUE CITY TX 77573	21-NOV-2012	576039

STACY WHITEHURST
VICE PRESIDENT OF REGULATORY AFFAIRS

577 N Garden Ridge Blvd
Lewisville, TX 75067-2691

RECEIVED
DEC 05 2012
GALVESTON COUNTY JUDGE

December 3, 2012

Honorable Judge Mark Henry
722 Moody
Galveston, Texas 77550
Galveston County

Honorable Judge Henry

As required in House Bill 3059, Section 366 005, Texas-New Mexico Power Company is providing new utility service connections for counties you represent

Any questions please contact Megan Miller at 469-484-8585

Sincerely,

Stacy R Whitehurst

SRW/mm
Enclosure

cc Megan Miller

Texas New Mexico Power Company
New Premise Turn-Ons
577 N Garden Ridge Blvd
Lewisville, Texas 75067
Phone 972-420-4189

County GALVESTON

Service Address	City/State/Zip	Established Date	Prem Code
W 1305 PARKWOOD AVE UNIT 111	FRIENDSWOOD TX 77546	28-NOV-2012	576579

AGENDA
ITEM
#4

COUNTY OF GALVESTON

On this the 11th day of December, 2012, the **Commissioners' Court of Galveston County, Texas** convened in a regularly scheduled meeting with the following members thereof present

Mark A Henry, County Judge;
Patrick F Doyle, Commissioner, Precinct No. 1;
Kevin D O'Brien, Commissioner, Precinct No. 2;
Stephen D Holmes, Commissioner, Precinct No. 3,
Kenneth Clark, Commissioner, Precinct No. 4; and
Dwight D Sullivan, County Clerk

when the following proceedings, among others, were had, to-wit

Whereas, volunteers are special people They unselfishly devote much of their time, energy and skill to their fellow man oftentimes at a great personal and financial risk and sacrifice Each year, thousands of Americans freely volunteer to help their neighbors thereby carrying on a tradition established in the first days of our Republic, and

Whereas, no volunteers have ever been more essential to protecting the health and well being of others than the thirty three (33) people who have served for many years as volunteers for the **Kemah Fire Department.** These stalwart individuals have willingly risked their lives on numerous occasions performing dangerous and vitally important tasks Through their actions, they have saved the lives and property of a number of the City's 1,773 residents and the approximately 3000 people in their coverage area by responding to medical emergencies and fires In addition, they give freely of their time reaching out to their community by promoting and conducting lifesaving programs like cardiopulmonary resuscitation and fire awareness classes It is primarily through their efforts that the **City of Kemah** has an excellent reputation for being a safe community in which to live and visit, and

Whereas, the preparation and training of paramedics and emergency medical technicians and a less than four-minute average medical emergency response time, as well as their rapid response to fires has recently been recognized state-wide by the **Texas Department of State Health Services** awarding the **Kemah Fire Department** the 2012 statewide **EMS First Responder Award**

Now, Therefore Be it Resolved that the **Commissioners' Court** of **Galveston County, Texas** publicly congratulates and pays homage to the members of the **Kemah Fire Department** for the many years they have unselfishly spent being first responders in time of emergency

Be It Further Resolved, that a copy of this Resolution be spread upon the minutes of this Court and the Original hereof delivered to **Kemah Fire Chief Brent Hahn** both as evidence of the good wishes of the **Commissioners' Court** of **Galveston County, Texas** and of its desire that they continue to achieve great success in protecting the lives and property of others for many years to come

Upon Motion Duly Made and Seconded the above **Resolution** was unanimously passed on this 11th day of December, 2012

Attest.

Dwight D. Sullivan, County Clerk

Absent
Patrick F Doyle, Comm , Pct. #1

Kevin D O'Brien, Comm , Pct. #2

County of Galveston, Texas

By

Mark A. Henry, County Judge

Stephen D. Holmes, Comm., Pct #3

Kenneth Clark, Comm , Pct #4

AGENDA
ITEM
#5

COUNTY OF GALVESTON

On this the 11th day of December, 2012, the **Commissioners' Court of Galveston County, Texas** convened in a regularly scheduled meeting with the following members thereof present

Mark A Henry, County Judge
Patrick F. Doyle, Commissioner, Precinct No 1
Kevin D O'Brien, Commissioner, Precinct No 2
Stephen D Holmes, Commissioner, Precinct No. 3
Kenneth Clark, Commissioner, Precinct No 4, and
Dwight D. Sullivan, County Clerk

when the following proceedings, among others, were had, to-wit

Whereas, the citizens of both the City and County of Galveston will greatly miss the dedicated service and expertise of our friend and neighbor, **Sheriff Freddie Poor** who, after more than 45 years of dedicated law enforcement service spent protecting the lives and property of the public, has announced his well deserved retirement, and

Whereas, Freddie began his distinguished career with the **City of Galveston** in 1967 as a patrolman His talents were quickly recognized and appreciated by his superiors. **Freddie** steadily worked his way up through the ranks until he became **Galveston's Chief of Police** in 1989 During his career with the **City of Galveston** he successfully completed an extensive 5 year "Master Plan" in 4 years, developed and implemented a number of Police Community Relations Programs, doubled the number of active Neighborhood Watch organizations, administered to over 3,000 participants Senior Citizen and Women Safety and Self Defense seminars, founded the Citizens' Police Academy, designed a successful Multi-Ethnic and Cultural Sensitivity Program, and established both the D A R E program in public and private schools and Galveston Crimestoppers, Inc Upon his retirement from the **City of Galveston, Freddie,** was rapidly approached and hired by Sheriff Joe Max Taylor as Major of the Criminal Investigation Communication and School Liaison Divisions His uncanny business acumen and his incredible ability to work well with all of his co-workers was known to all who had the pleasure of working with him and in 2001 he was promoted to Chief Deputy by Sheriff Gean Leonard Well respected for his honesty, integrity and devotion to serving the public the populace of Galveston County elected him as **Sheriff** in the November, 2008 General Election Since his first day of office, **Sheriff Poor** has continued to be a loyal servant to all the people of Galveston County in a position requiring great personal sacrifice and

Whereas, Sheriff Poor has been tireless in his service to the community His commitment to numerous noteworthy community projects and activities that have succeeded due to his selfless dedication has been legendary His professional memberships include serving on the advisory boards of the College of the Mainland-Law Enforcement Training Academy, the Galveston College Criminal Justice Program, the Mayors Coalition for a Drug-Free Galveston, the Mayor's Gang Task Force, Island Youth Programs and the FBI National Academy Associates Not being one to neglect his civic responsibilities, **Freddie** also freely and unselfishly devoted his services as a member of the Board of Directors of the Galveston County Children's Protective Services Board, the Galveston Island Rotary Club, Teen Health Center, Ronald McDonald House of Galveston and Galveston County ESD No 1, and

Whereas, during his tenure with the Sheriff's Office and as Sheriff, **Freddie** advanced the Office into one of the more modern law enforcement agencies in the State of Texas The expertise of the officers under his leadership has improved the life of all citizens of Galveston County In addition, Freddie has consistently distinguished himself as a public servant of ability and integrity He will be sorely missed by all those who have had the privilege and honor of working with him It is indeed appropriate at this time to publicly honor him and recognize his many contributions to his fellow Texans

Now, Therefore Be it Resolved that the **Commissioners' Court of Galveston County, Texas** hereby pays tribute to the **Honorable Freddie Poor** for his many years of outstanding public service and extends to him warmest best wishes for continued success and happiness in the years to come

Upon Motion Duly Made and Seconded, the above Resolution was unanimously passed this 11th day of December 2012

Attest

Dwight D. Sullivan

Dwight D Sullivan, County Clerk

Absent
Patrick F Doyle, Comm , Pct #1.

Kevin O'Brien

Kevin D O'Brien, Comm , Pct. #2

County of Galveston, Texas

By Mark Henry

Mark A Henry, County Judge

Stephen D Holmes, Comm , Pct #3

Kent Clark

Kenneth Clark, Comm., Pct #4

AGENDA ITEM #6

RUFUS CROWDER, CPPO, CPPB
PURCHASING AGENT

THE COUNTY OF GALVESTON
GALVESTON COUNTY COURTHOUSE
722 Moody
Fifth (5th) Floor
GALVESTON, TEXAS 77550
(409) 770-5371

GWEN MCLAREN, CPPB
ASST PURCHASING AGENT

December 4, 2012

Honorable County Judge
And Commissioners' Court
County Courthouse
Galveston, Texas

Re: State of Texas - JPMorgan Chase – Procurement Card (P-Card) Rebate Check

Gentlemen,

As a result of the Galveston County Commissioners' Court's cooperative involvement in the U.S. Communities Government Purchasing Alliance, the following check totaling $37,819.02 has been forwarded to the County Treasurer for deposit into the general fund.

This check represents customer rebate monies due to the County for the period of September 1, 2011 through August 31, 2012.

The Purchasing Department will continue to strive to find ways to bring value to the procurement function through cooperative e-procurement initiatives.

Sincerely,

~~Rufus G.~~ Crowder, CPPO, CPPB
Purchasing Agent
County of Galveston

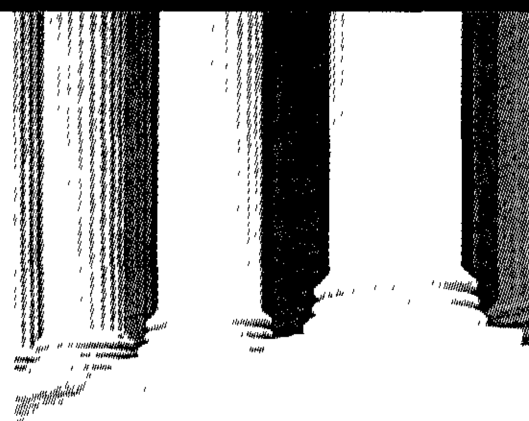
Attachment

/dam

McCullough, Darla

From	McAdoo, Angela [angela mcadoo@jpmorgan com]
Sent	Tuesday, November 27, 2012 8 28 PM
To	McCullough, Darla
Subject	Rebate

Texas Payment Card Rebate Payment



Dear DARLA MCCULLOUGH

J P Morgan is pleased to inform you that GALVESTON COUNTY has earned a rebate payment based on your corporate J P Morgan procurement card activity from September 1 2011 August 31 2012 A total of [illegible] will be disbursed on or around November [illegible], 2012 [illegible]

Payment will be transferred into account ending in 3195

For the calculation period, your Qualified Charge Volume of $2,455,156 97 was calculated at a rate of 150 basis points [illegible] volume of $283,335 36 was calculated at a rate of [illegible] basis points Your credit losses of $0 00 were deducted

Please note that if you have multiple procurement card corporate accounts, you may receive multiple payments where the aggregate amount of those payments equal the total payment amount listed above

Please extend our thanks to everyone in your organization who has contributed to the success of your card program This incentive payment represents our ongoing commitment to GALVESTON COUNTY A successful partnership benefits both of our organizations As we continue moving forward, be assured that J P Morgan remains dedicated to helping your organization maximize program efficiencies and [illegible]

Thank you for your business and trust in J P Morgan We look forward to the continued success and growth of our business partnership

Sincerely,

JPMorgan Chase Client Relations Team
[illegible]

Angela McAdoo, VP
JP Morgan Chase Commercial Card

Relationship Manager
Phone 214-353-9131
Fax 214-353-9144
Email angela mcadoo@jpmorgan com

If you need immediate assistance, please contact your designated Program Coordinator Team

AGENDA ITEM #7

COUNTY of GALVESTON
HUMAN RESOURCES

Katherine Branch
Assistant HR Director

Sandra Hernandez
Senior HR Analyst

Corey Jannett
Senior HR Analyst

Nicole White
HR Assistant

November 20, 2012

To Patricia Grady

From Katherine Branch

Re Commissioners' Court Agenda Item- Health Insurance Portability and Accountability Act (HIPAA)

Please submit the following item for the December 11, 2012 Commissioners' Court Agenda

Consideration of recommendation to Opt out of the Health Insurance Portability and Accountability Act (HIPAA) and the P H S Act submitted by Human Resources

Off 409-770-5418 • Fax 409-770-5351
722 MOODY STREET • 3rd FLOOR • GALVESTON, TEXAS 77550

COUNTY OF GALVESTON

Mark Henry
COUNTY JUDGE

December 11, 2012

Centers for Medicaid and Medicare Services
Employer Policy & Operations Group, CBC
Attention HIPAA Opt-Out
7500 Security Boulevard C2-12-16
Baltimore, MD 21244-1850

To Whom It May Concern

The County of Galveston Health Protection Plan (EIN #74-6000908, Plan # 213) of the County of Galveston, 722 Moody, Galveston, Texas, 77550, a non-federal governmental plan, is self-funded and retains stop loss insurance on a specific and aggregate basis The Plan is administered by Boon-Chapman, 9401 Amberglen Boulevard, Building I, Suite 100, Austin, Texas 78729

The County of Galveston elects under authority of Section 2721(b)(2) of the Public Health Service Act (PHS Act), and 45 CFR 146 180 of Federal regulations, to exempt the Galveston County Health Protection Plan for the plan year beginning January 1, 2013 through December 31, 2013 from the following HIPAA requirements and the P H S Act, as amended

- Standards relating to benefits for mothers and newborns
- Parity in the application of certain limits to mental health benefits
- Required coverage for reconstructive surgery following mastectomies

This election was made at a duly called open meeting of the County of Galveston Commissioners Court on December 11, 2012 at Galveston, Texas

The attached notice to plan participants regarding this opt-out election will be provided to all plan participants at the time of enrollment and to all participants on an annual basis

I certify that the undersigned is authorized to submit this election on behalf of the Galveston County Health Protection Plan A copy of the notice to Plan enrollees is enclosed

SIGNED this 11th day of December, 2012

Mark Henry
County Judge
County of Galveston, Texas

COUNTY OF GALVESTON

Mark Henry
COUNTY JUDGE

TO All Employees of Galveston County

DATE December 11, 2012

SUBJECT Health Insurance Portability and Accountability Act (HIPAA)

The federal law known as HIPAA which was passed in August, 1996, imposes upon group health plans the following requirements

- Standards relating to benefits for mothers and newborns
- Parity in the application of certain limits to mental health benefits
- Required coverage for reconstructive surgery following mastectomies

As a non-federal governmental plan, the County of Galveston may elect to be exempt from any or all of the requirements

---

AS A NON-FEDERAL GOVERMENTAL PLAN, THE COUNTY OF GALVESTON IS EXERCISING ITS PRIVILEGE TO OPT-OUT OF THE HEALTH INSURANCE AND ACCOUNTABILITY ACT (HIPAA) EFFECTIVE JANUARY 1, 2013, AS IT RELATES TO EACH OF THE REQUIREMENTS STATED ABOVE

<u>CERTIFICATES OF COVERAGE WILL CONTINUE TO BE PROVIDED TO INDIVIDUALS WHOSE MEDICAL COVERAGE HAS TERMINATED</u>

COUNTY COURTHOUSE • 722 MOODY SUITE 200 • GALVESTON, TEXAS 77550 • [409] 766-2244

AGENDA
ITEM
#8

2013 Galveston County Resolution
Indigent Defense Grant Program

WHEREAS, under the provisions of the Fair Defense Act, 77th Regular Session counties are eligible to receive grants from the Texas Indigent Defense Commission to provide improvements in indigent defense services in the county and

WHEREAS, this grant program will assist the county in the implementation of the provisions of the Fair Defense Act and the improvement of the indigent criminal defense services in this county, and

WHEREAS, Galveston County Commissioners Court has agreed that in the event of loss or misuse of the funds, Galveston County Commissioners assures that the funds will be returned in full to the Texas Indigent Defense Commission

NOW THEREFORE, BE IT RESOLVED and ordered that the County Judge of this county is designated as the Authorized Official to apply for, accept, decline, modify, or cancel the grant application for the Indigent Defense Formula Grant Program and all other necessary documents to accept said grant, and

BE IT FURTHER RESOLVED that Bonnie Quiroga is designated as the Program Director and contact person for this grant and the County Auditor is designated as the Financial Officer for this grant

Adopted this 11th day of December, 2012

Mark Henry
County Judge

Attest:
County Clerk

AGENDA
ITEM
#9

GALVESTON COUNTY ENGINEERING DEPARTMENT

Change Order No 8
Galveston Causeway Railroad Bridge

Owner Galveston County
Contractor Cianbro/Brasfield & Gorrie II, A Joint Venture
Engineer Modjeski & Masters

Contract Number 1042
Purchase Order Number C008808
Bid Number B101006

Summary of Change

1 Assessment of liquidated damages, per Contract Specification Section 4 31 A, incurred by the Joint Venture during the Span Change-Out operation, resulting in a contract price decrease of $31,916 63

CHANGE IN CONTRACT PRICE

Original Contract Price $80,143,944 00
Net Change From
Previous Change Orders $1,209,604 39
Contract Price Prior To
This Change Order $81,353,548 39
Net Increase/Decrease Of
This Change Order $31,916 63
Contract Price With All
Approved Change Orders $81,321,631 76

CHANGE IN CONTRACT TIME

Original Contract Time 730 Days
Net Change From
Previous Change Orders 21 Days
Contract Time Prior To
This Change Order 751 Days
Net Increase/Decrease Of
This Change Order 0 Days
Contract Time With All
Approved Change Orders 751 Days

RECOMMENDED

By Jason Broussard Date Sep 6, 2012
Modjeski & Masters

By Jeff Malloy Date Sep 6, 2012
Owner Representative

By Byron T Burns Date Sep 11, 2012
BNSF

ACCEPTED
John Stud Date Nov 16, 2012
Cianbro/Brasfield & Gorrie II, A Joint Venture

APPROVED
Mike Fitzgerald Date Nov 19, 2012
Mike Fitzgerald, P E
County Engineer

GALVESTON COUNTY ENGINEERING DEPARTMENT

Change Order No 8
Galveston Causeway Railroad Bridge

Owner Galveston County
Contractor Cianbro/Brasfield & Gorrie II, A Joint Venture
Engineer Modjeski & Masters

Contract Number 1042
Purchase Order Number C008808
Bid Number B101006

Description of Change

1 Liquidated damages were assessed per Contract Specification Section 4 31 A – Liquidated Damages Damages incurred by the Joint Venture during the Span Change-Out operation were calculated per the attached email and resulted in a contract price decrease of $31,916 63

See attached USCG concurrence email

RE: Float In Delay Charges

From: Strid, John [mailto:JStrid@BrasfieldGorrie.com]
Sent: Saturday, April 21, 2012 12.59 PM
To: Malloy, Jeff D
Cc: Brian Watson (bwatson@cianbro com); Mares, Jose R
Subject: Float In Delay Charges

Jeff,

As discussed yesterday, the JV takes exception to the Change Order #8 DRAFT for the Liquidated Damages associated with the float in The specific item that is in question is Item "b" The Joint Venture's position is that the critical path operations of the float in were delayed 1 5 hours as a result of a re-sequencing direction given once the float in had begun regarding the lock out of the bascule differential in preparation for the final lowering of the bridge on one pinion gear Factoring this delay, the adjusted LD's would be as follows

a) Marine Outage – 9 0 hrs (1.5 removed) x $1,000/hr = $9,000
b) 1st Rail Outage – 0 0 hrs (1 5 removed) x $2,083/hr = $0 00
c) 2nd Rail Outage – 11 0 hrs (1.5 removes) x $2,083/hr = $22,916 63

Total Liquidated Damages (Revised) = $31,916.63

Brief Summary:

During talks leading up the float in, it was mutually agreed based upon the recommendation from BNSF and M&M that in lieu of cutting the rack frame and pinion prior to opening the bridge approx 30 degrees for float in, that the bridge should be raised as the first operation of float in, and all removal work would commence after the bridge was raised on (2) pinions and locked out There was also much dialogue about locking the differential reduced of the bascule, which was memorialized in RFI 484 and a final concept was provided by M&M with very specific instructions that this differential lock must be in place prior to lowering the bridge on one pinion There was however no specific documentation on when the differential lock components must be installed on the coupling

Float in began at 6·00AM, and the first operation was to raise the bridge (as agreed upon) to the position (approx. 27 degrees) for float in and lock it out Once the bridge was raised, the JV began installing the physical restraints on the bridge, and set up for removal of the rack frame and pinion, and installation of the differential lock The JV received a call from M&M and BNSF personnel around 6 30 that morning, and those personnel arrived at the bridge at approx 6 45 It was relayed to the JV that the differential lock plates that attached to the bascule coupling must be installed while the bridge is in the down position, because there was a concern that removal of the coupling at an inverted position may cause the damage to the coupling due to internal stress A direction was given and the JV obliged, to lower the bridge back down, remove the restraints already in place (CTWT tie downs and segmental girder chocks), and install the differential locking plates in the down position This re-sequence had an impact of 1 5 hours, and it was not until after 7 30 that the JV was able to resume work already completed and proceed with removal of the rack frame and pinion.

The affected work activities were on the critical path of the float in schedule and the 1.5 hour impact should therefore be carried through the subsequent delays that followed this work

I have attached a copy of the proposed modifications to the CO, the float in hr/hr schedule, and RFI 484 for your review

Please let us know if you have any further questions

Thanks,

John R. Strid, LEED AP

RE Float In Delay Charges

Senior Project Manager/QC Manager
Cianbro/Brasfield & Gorrie Joint Venture
Galveston RR Lift Span Replacement
7100 Harborside Dr
Galveston, TX 77554
(409) 740-5455 - EXT 5617 (jobsite)
(409) 740-5497 (fax)
(850)-685-2451 (mobile)
jstrid@brasfieldgorrie com

Malloy, Jeff D

From:	Burns, Byron T
Sent:	Thursday, March 22, 2012 8'05 AM
To:	Malloy, Jeff D
Cc:	'Arvind.Patel@uscg.mil', Boileau, Robert J; 'Broussard, Jason P'; 'Elnahal, Kamal'; 'Eppehimer, Ralph J'; 'ELgaaly, Hala', Large, Brian A; Mares, Jose R; 'Mike Fitzgerald'; Millsap, Steve A, 'Scott Gordon '; Woodley, Larry D
Subject:	RE· Galveston - Change Order 008 Draft

I concur with Arvind's suggestion. Nothing else to add or comment on.

Byron T. Burns
BNSF KC Structures
Tel: 913-551-4176
Fax 913-551-4646

-----Original Message-----
From: Arvind Patel@uscg mil [mailto.Arvind Patel@uscg.mil]
Sent: Thursday, March 22, 2012 7'01 AM
To: Malloy, Jeff D, Boileau, Robert J; Broussard, Jason P; Burns, Byron T, Elnahal, Kamal; Eppehimer, Ralph J; ELgaaly, Hala; Large, Brian A; Mares, Jose R; Mike Fitzgerald; Millsap, Steve A, Scott Gordon ; Woodley, Larry D
Subject: RE: Galveston - Change Order 008 Draft

Jeff,

I have reviewed the Draft CO # 8 and have no comments on the amount and the backup calculations. But, I suggest to cite the specification section 4.31 that refers to this LD amount under description of change on page 2 Thanks

Arvind Patel, P.E., PMP
USCG - Office of Bridge Programs (CG-551)

-----Original Message-----
From· Jeff.Malloy@BNSF.com [mailto:Jeff Malloy@BNSF com]
Sent: Wednesday, March 21, 2012 6:11 PM
To: Patel, Arvind; Boileau, Robert J; Broussard, Jason P; Burns, Byron T; Elnahal, Kamal; Eppehimer, Ralph J; ELgaaly, Hala, Large, Brian A; Malloy, Jeff D; Mares, Jose R, Mike Fitzgerald; Millsap, Steve A; Scott Gordon , Woodley, Larry D
Cc: Malloy, Jeff D
Subject· FW: Galveston - Change Order 008 Draft

Preparation of liquidated damage change order is complete and ready for review and comments.

Jeff Malloy

Engineering, BNSF Railway

575-742-7918 clovis office

806-290-0180 cell

jeff malloy@bnsf.com

From Broussard, Jason P [mailto:JPBroussard@modjeski com]
Sent: Wednesday, March 21, 2012 5.07 PM
To: Malloy, Jeff D
Subject: Galveston - Change Order 008 Draft

Jeff,

Please find attached the draft Change Order 008 form regarding assessment of liquidated damages that the JV incurred during the span change-out operation for your review.

Let me know if you have any questions or comments

Thanks,

JASON P BROUSSARD, EI | Field Services Engineer

Modjeski and Masters, Inc.

1055 St. Charles Ave, Suite 400, New Orleans, LA 70130

phone 409.740.3655 mobile 504.496.5046

jpbroussard@modjeski.com <mailto.jpbroussard@modjeski.com> www modjeski.com <http://www.modjeski.com/>

Upon motion of Commissioner O'Brien, seconded by Commissioner Holmes, and carried, It is Ordered by the Court that the County Engineer is authorized to execute Change Orders up to $1,000,000.00 (One Million Dollars) subject to the apportionment of costs for the Galveston Causeway Railroad Bridge Project and the Court will receive and file the Change Orders once executed.

AGENDA
ITEM
#10

COUNTY OF GALVESTON

On this the 11th day of December, 2012, the **Commissioners' Court of Galveston County, Texas** convened in a regularly scheduled meeting with the following members thereof present

Mark A. Henry, County Judge;
Patrick F. Doyle, Commissioner, Precinct No 1,
Kevin D O'Brien, Commissioner, Precinct No. 2;
Stephen D. Holmes, Commissioner, Precinct No. 3;
Kenneth Clark, Commissioner, Precinct No. 4, and
Dwight D Sullivan, County Clerk

when the following proceedings, among others, were had, to-wit

Whereas, one of Galveston County's most dedicated, energetic and devoted public servants, **Doryn Danner Glenn**, will soon be stepping down from her current position as **District Clerk of Galveston County**, and

Whereas, Doryn's first career with the **District Clerk's Office** was during the summers of 1986-1990 During these years she began learning the arduous tasks that deputy district clerks face on a daily basis in order to properly meet the many and varied demands that are placed upon them She left her temporary County employment and obtained her law degree in 1992 whereupon she entered the private practice of law Desiring to spend a bit more time with her family, in January of 2007, she left the private practice of law and returned to work with the **District Clerk's Office** serving in the capacity of **Chief Deputy** Over the years, due to her renowned skill and ability **Doryn**, in April of 2011was promoted to **Director of Governmental Affairs** Recognizing her unique abilities, upon the resignation of the **District Clerk** in April of 2012, **Doryn,** on May 4, 2012 was unanimously appointed by the **District Judges** as **District Clerk** and began serving in that capacity on May 9, 2012 Regardless of the position she held within the **District Clerk's Office**, **Doryn** was regarded as a tremendous asset and a treasure, and

Whereas, Doryn's presence within the **District Clerk's Office** has been described as "a blessing" by not only the District Judges and their employees but also by the County Court at Law and Statutory Probate Court Judges and their employees as well With both patience and knowledge, she taught not only her peers but also attorneys and members of the public who eagerly sought her guidance and advice Her attention to minutia whilst attending to her many duties was nothing short of being incredible Her reputation and her sweet disposition is angelic and we are proud to know her as our friend, and

Whereas, inasmuch as Galveston County now has a **District Clerk Elect, Doryn** has agreed to return to her former position as **Director of Governmental Affairs** We all look forward to continue to work with her for many years to come for as we all know, everything seems to run more smoothly while **Doryn Danner Glenn** is on the job, and

Whereas, the **Commissioners' Court of Galveston County** desires to express its appreciation to **Doryn Danner Glenn** for her long and faithful service to the Galveston County and the public and wishes her much luck in all her future endeavors

Now, Therefore Be it Resolved, that the **Commissioners' Court of Galveston County** issues this Resolution of Appreciation to **Doryn Danner Glenn**, thanking her for her many years of dedicated and unselfish devotion to all citizens of Galveston County

Upon Motion Duly Made and Seconded, the above Resolution was unanimously passed on this 11th day of December, 2012

Attest.

Dwight D Sullivan, County Clerk

Absent
Patrick F Doyle, Comm , Pct. #1

Kevin D. O'Brien, Comm., Pct. #2

County of Galveston, Texas

By:

Mark A. Henry, County Judge

Stephen D. Holmes, Comm., Pct #3

Kenneth Clark, Comm , Pct #4

AGENDA ITEM #11

Departments

Child Welfare
County Museum
Housing Department
Indigent Health Care
Mosquito Control
Social Services
Veteran Services

COUNTY OF GALVESTON
Community Services Division

Connie A. Nicholson, Director

December 5, 2012

Dear Members of the Commissioners' Court,

We have requested a receive and file on documentation related to the Application for Tax Abatement filed by Ashland, Inc for the upcoming December 11, 2012 Regular Meeting of the Commissioners' Court The information that we are asking the Commissioners' Court to receive and file consists of the following

- The Application for Tax Abatement by Galveston County, Texas, filed by Ashland, Inc on September 21, 2012 in the Community Services Division and the narrative and supporting paperwork accompanying the Application, likewise received on September 21, 2012 in the Community Services Division, and

- The $1,000 00 check for payment, received on December 5, 2012 in the Community Services Division with its accompanying cover letter and copy of mailing envelope

Thank you for your attention to this matter

Respectfully,

Connie A Nicholson, Director

722 Moody, 5th Floor • Galveston, TX 77550 • (409) 770-5545 or (409) 770-5543 • Fax (409) 766-4551

Application for Tax Abatement by Galveston County, Texas

This application, required supporting documentation, and a $1,000 application fee made payable to Galveston County (non-refundable) must be submitted to the Galveston County Community Services Department to be eligible for consideration for tax abatement by the Commissioners' Court of Galveston County The mailing address and location for Galveston County Community Services Department is 722 Moody, 5th Floor, Galveston, Texas 77550. *This application will become part of the tax abatement agreement and any knowing false representations will be grounds for terminating the application and/or voiding the tax abatement agreement.* Galveston County will forward copies of this application to other taxing jurisdictions if required by the Property Redevelopment and Tax Abatement Act

Part I Applicant Information **Application Date** 09 21 2012

Company name* (complete corporate name must be listed) Ashland, Inc

ISP Technologies, Inc., a subsidiary of Ashland, Inc., is the legal owner of the property

Company address 60 E. River Center Blvd., P.O. Box 391, Covington, KY 41012-0391

Local address (if different than above) 4501 Attwater Ave., Texas City,TX 77590

Local Phone Number 409 942 1806 E-Mail jbizzaro@ashland com

Local Fax Number ____ Annual Sales 6 5 B (Ashland, Inc)

State of Incorporation KY Years in Galveston County.____

Total number of employees worldwide 14,000

Total number of employees in Texas 258 (175 in Texas City, 83 in Kennedy)

Total number of employees in Galveston County 175

Name and Address of Registered Agent.____

*Attach a description of Applicant Company, including brief history, corporate structure, financial statement and annual report, and legal documents showing incorporation information and authority to conduct business in the State of Texas If Applicant conducts business under an assumed name, then Application must include legal documents showing authority to conduct business under assumed name

Part II. Project Information

Project site location address 4501 Attwater Ave , Texas City, TX 77590

Legal description* Intersection of Attwater Ave and SH-146 -222 acres-ABST 17 page 3,4&9 JW LYTTLE SUR TR6, 98 47 acres - ABST 17 page 3,4&9 JW LYTTLE SUR TR 7, 3029 acres - ABST 17 page 9, JW Lyttle SUR TR 20,2 829 acres- ABST 176 page 1 Lot 1 & Pt of Lot 2 Blk 1 Sub B KOHFELD TS RESUB

Taxing units at project site

School District Dickinson College District: College of Mainland Community

Municipality Texas City

Tax Account Number(s) 001700060000000, 001 7000 70000000, 001 700 2000000000, 4424000201010000

*Attach plat survey, with a metes and bunds description, for project site

Project description** (check applicable) [X] New Construction (Facility) [ ] Expansion

**Attach statement fully explaining project and describing existing site and all proposed improvements, and provide complete detailed (line item) Investment Schedule/Budget detailing improvements for which abatement is requested

Type of Facility*

- [ ] Convergent Technologies
- [X] Manufacturing
- [ ] Regional Distribution Center
- [ ] Regional Entertainment
- [ ] Regional Office
- [ ] Regional Service
- [ ] Research
- [ ] Research & Development
- [ ] Other Basic Industry

Describe product or service to be provided and to what purpose The first product is to increase production of PUPP (PUPP is a cross-linked homolymer used predominately in the pharmaceutical and beverage industries) The second project is to increase Vinyl Pyrolidone capacity with the addition of two compressors and piping and acetylene infrastructure

*For regional facilities, provide market studies, business plans, or other materials demonstrating that the facility is intended to serve a primary market that lies at least one hundred (100) miles outside of Galveston County

Variance

Is Applicant seeking a variance from the Galveston County Tax Abatement Guidelines and Criteria?

[ ] Yes [X] No

If yes, attach a letter requesting and justifying the variance and include documentation to support the requested variance

Part III. Economic Information

Construction Estimate

Start Date Oct / 2012 Contract Amount $ ____________

Completion Date Sept /2013 Peak Construction Jobs 112,000 construction man hours

Construction Man-Years ____________

If Modernization: N/A

Estimated current economic life of structure ____________ years

Added economic life of structure ____________ years

Permanent Job Creation/Retention of existing permanent jobs in Galveston County.

Current employment 175

Jobs to be retained 175

Jobs to be created 5

Estimated Appraised Value On Site	**Land**	**Improvements**	**Total**
Value on January 1 preceding abatement (per GCAD records and account number)			
Estimated value of new abatable investment: Building		17,277,900	17,277,900
Estimated value of new abatable investment Fixed and in place machinery and equipment		6,547,000	6,547,000
Estimated value not subject to abatement (e g , inventory)			
Estimated value of property subject to ad valorem tax at end of abatement		TBD	TBD

Company Representative Authorized for Contact:

Name Adam Bering

Title Consultant

Telephone 614 232 7603

E-mail adam bering@ey com

Applicant's Authorized Company Official.

Name. Jay Bizarro

Title Plant Manager

Telephone: 409 942 1806

E-mail jbizzaro@ashland com

Signature of Applicant's Authorized Company Official tendering this Application for Tax Abatement: Nicholas H. Schnelys, Senior TAX Counsel (Application must be signed)

Ashland, Inc. – Application to Galveston County for Property Tax Abatement

Introduction to the Company – Ashland, Inc ("Ashland") is a global specialty chemicals company that provides products, services, and solutions for many industries including building and construction, food/pharmaceutical/personal care, packaging and converting, paint and coatings, pulp and paper, transportation, and water treatment. Ashland is publically traded on the NYSE ("ASH"). It is incorporated in the State of Kentucky and is headquartered in Covington, Kentucky. Principal offices of other major operations are located in Wilmington, Delaware, Wayne, New Jersey, Dublin, Ohio, Lexington, Kentucky, Barendrecht, the Netherlands, Shanghai, China, Hyderabad, India and Schaffhausen and Zug, Switzerland. Ashland was organized in 2004 as a successor to a Kentucky corporation of the same name organized on October 22, 1936. Ashland's business consists of four reportable segments 1) Ashland Specialty Ingredients, 2) Ashland Water Technologies, 3) Ashland Performance Materials, and 4) Ashland Consumer Markets. Ashland has operations and sales in more than 100 countries. Ashland's annual revenue in fiscal year ending 9/30/2011 was approximately $6.5 billion. Ashland employs more than 14,000 people worldwide. See attached Annual Report for names of executive officers and other information.

Reasons for seeking abatement – As one of many facilities owned by Ashland, a publically traded company, business considerations for the future of the Texas City facility are different than they have been historically. Ashland is evaluating options to continue either making capital investment and payroll investments in Texas City or growing its production capacity at a number of its other domestic locations. In the current business environment, Ashland faces pressure to minimize expenses, including its tax burden. Ashland has identified a need for incentives to help offset its proposed capital investment. Such incentives would position Ashland for future growth.

Describe the project - The first project is to increase production of PVPP (PVPP is a cross-linked homopolymer used predominately in the pharmaceutical and beverage industries). The second project is to increase Vinyl Pyrrolidone capacity with the addition of two compressors and piping and acetylene infrastructure. The project would occur at 4501 Attwater Ave., Texas City, Texas. Total investment is estimated at $23,824,900 assessed value. The legal owner of the Texas City facility is ISP Technologies, Inc., which is a subsidiary of Ashland, Inc. Please see attached line item description and cost detail for both projects.

Jobs – Ashland has approximately 175 current employees at the Texas City facility (this is approved headcount, at any given time, the number could be slightly less due to retirements, openings and trying to identify the right candidate, etc.). Approximately 74% of the current employees are Galveston county residents. Ashland anticipates approximately 5 new positions in connection with the two projects described above.

Competition with local business – Ashland is not aware of any competition or similar business in the area so Ashland does not believe the abatement will impact competition in the area

Alternative site considerations – As mentioned above, Ashland is a multi-national company with facilities and operations in many states and many countries   The Texas City plant sits within Ashland Specialty Ingredients, one of Ashland's four business segments   The plant manager of the Texas City plant oversees multiple plants in different states   Within Ashland, the decision to make capital investments within any specific site is a competitive process   Many different factors are considered, one of which is incentives

PROJECT	Texas City VP Capacity Increase	PROJECT MANAGER			
		J Oles			
CODE OF					
ACCOUNT	DESCRIPTION OF ITEM	MATERIAL			
	EQUIPMENT				
	PRESSURE VESSELS & TANKS	$213 500			
	HEAT EXCHANGERS	$155,000			
	PUMPS	$215,000			
	VINYLATOR MODIFICATIONS	$35,000			
	ACETYLENE COMPRESSORS	$462,000			
	PROCESS CONTROL SYSTEMS (DCS)	$21 000			
	TOTAL EQUIPMENT	**$1,101,500**		Labor	
	CIVIL WORK	$35 200		$174,300	
	BUILDING & STRUCTURAL	$86 000		$91 300	
	PIPING	$259,100		$610 900	
	INSTRUMENTATION	$609,300		$183 000	
	ELECTRICAL	$126 600		$134,800	
	INSULATION	$18 100		$51 100	
	COATINGS	$9,700		$42 900	
	TOTAL COMMODITIES	**$1,144,000**		**$1,288,300**	
	INDIRECT COST				
	ASHLAND ENGINEERING				$672 600
	FREIGHT				$78 200
	TAXES				$33 300
	Total Indirect Costs				**$784,100**

Total **$4,317,900**

PROJECT	PVPP EXPANSION TEXAS CITY	PROJECT MANAGER			
	AREA 159 & 441	R J LUKACH			
CODE OF					
ACCOUNT	DESCRIPTION OF ITEM	MATERIAL			
	EQUIPMENT				
	PRESSURE VESSELS & TANKS	$612 000			
	HEAT EXCHANGERS	$0			
	HVAC	$149 000			
	PUMPS & COMPRESSORS	$232,500			
	FILTERS & AGITATORS	$738 000			
	MISCELLANEOUS EQUIPMENT	$796,000			
	SPRAY DRYER SYSTEM	$2,640,000			
	Estimated Assessed Value	**$5,167,500**			
	DESCRIPTION OF ITEM	MATERIAL			
	EQUIPMENT				
	CONTROL SYSTEMS	$278 000			
	Estimated Assessed Value	**$278,000**			
	CRANE SERVICE (10 months @ $30 000 per month)	$0			
	TOTAL EQUIPMENT	**$5,445,500**		**Labor**	
	CIVIL WORK	$870,000		$1 467,500	
	BUILDING & STRUCTURAL	$1,774 500		$1 270 500	
	FIRE SUPPRESSION	$160 000		$75 000	
	PIPING	$881 500		$1 022,000	
	INSTRUMENTATION	$1,211 500		$386 000	
	ELECTRICAL	$986,500		$314,500	
	INSULATION	$74 000		$221 000	
	COATINGS	$49,000		$198 500	
	TOTAL COMMODITIES	**$6,007,000**		**$4,955,000**	
	INDIRECT COST				
	ISP ENGINEERING				$2 375,500
	FREIGHT				$400 500
	TAXES				$323 500
	Total Indirect Costs				**$3,099,500**

Total **$19,507,000**

2 The interest in the land covered by this Commitment is

Fee Simple (As to Tracts 1, 2, 3 and 4)

Easement Estate (As to Tract 5)

3 Record title to the land on the Effective Date appears to be vested in

4 Legal description of the land

TRACT 1

TRACT DESCRIPTION

THIS TRACT LIES PARTIALLY BELOW THE MEAN HIGH TIDE MEANDERS OF MOSES BAYOU

DESCRIPTION OF A 318 5786 ACRE TRACT OF LAND AND BEING THE SAME TRACT AS DESCRIBED IN FILM CODE 010-46-0623/24 IN THE OFFICE OF THE COUNTY CLERK OF GALVESTON COUNTY, TEXAS AND LYING IN THE JOHN LYTTLE SURVEY, ABSTRACT NO 17 AND OUT OF LOTS 1 AND 2, IN BLOCK 1, SUBDIVISION "A" AND LOTS 1 AND 2, IN BLOCK 2, IN SUBDIVISION "A", AND LOT 1, IN BLOCK 1, IN SUBDIVISION "B", IN KOHFELDT'S RE-SUBDIVISION OF THE T W JOHNSON SURVEY, ABSTRACT NO 125 IN GALVESTON COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT RECORDED IN VOLUME 245, PAGE 290, IN THE OFFICE OF THE COUNTY CLERK OF GALVESTON COUNTY, TEXAS AND MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS

BEGINNING at a nail set at the Northeast corner of said tract in Film Code 010-46-0623/24, said point lying at the intersection of the centerline of Attwater Drive, right of way and the Southwesterly right of way line of the S P R R (100 foot right of way),

THENCE N89°50'47"W, along the North line of said Film Code 010- 46-0623/24 and the centerline of Attwater Drive, a distance of 3879 58 feet to a found nail for corner being the Northwest corner of said Film Code 010-46-0623/24 tract,

THENCE S0°02'20"E, along the West line of said Film Code 010-46- 0623/24, at a distance of 3681 32 to a set 3/8" iron rod, cross the Northerly Mean High Tide Meanders of Moses Bayou, in all, a distance of 3756 80 feet to the Southwest

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LEGAL DESCRIPTION

corner of said Film Code 010-46-0623/24 tract,

1- N80°58'37"E, 35 41 feet
N49°39'28"E, 42 90 feet
N17°44'16"W, 43 52 feet
N18°11'21"E, 58 14 feet
N70°33'14"E, 77 69 feet
N58°18'29"E, 80 65 feet
N80°04'13"E, 93 62 feet
S69°23'50"E, 73 15 feet
S30°38'15"E, 64 05 feet

10-S27°25'42"E, 91 74 feet
N88°03'23"E, 78 77 feet
N69°40'35"E, 103 25 feet
N40°13'58"E, 45 37 feet
N84°13'11"E, 56 35 feet
S77°03'36"E, 124 00 feet
N61°44'04"E, 56 80 feet
N28°01'07"E, 44 30 feet
N00°22'06"W, 43 11 feet
N67°16'54"E, 202 41 feet

20-N52°43'07"E, 157 32 feet
N70°29'59"E, 127 93 feet
N72°54'35"E, 143 67 feet
S76°17'45"E, 75 29 feet
S49°51'03"E, 73 02 feet
S36°01'54"E, 72 93 feet
N36°37'29"E, 54 96 feet
N23°15'40"E, 55 01 feet
N57°32'58"E, 31 13 feet
S20°29'17"E, 21 17 feet

30-N67°38'35"E, 78 34 feet
N59°31'14"E, 72 59 feet
N78°30'09"E, 73 43 feet
N78°39'16"E, 46 52 feet
N64°57'38"W, 34 87 feet
N50°59'09"W, 34 13 feet
N04°44'32"W, 69 69 feet
N35°27'13"E, 64 58 feet
N70°52'12"E, 65 49 feet
S74°35'03"E, 134 60 feet

40-N74°16'53"E, 52 05 feet
S59°57'09"E, 91 76 feet
S00°22'06"E, 65 35 feet
S46°34'00"W, 41 23 feet
S60°24'26"W, 64 51 feet
S08°32'18"W, 26 70 feet
S55°06'43"E, 41 95 feet

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LEGAL DESCRIPTION

S78°49'17"E, a distance of 80 45 feet to the Southeast corner of said Film Code 010-46-0623/24, said point lying in the Southwesterly right of way line of the S P R R , 100 foot right of way,

THENCE N 10° 44' 00" W along the East line of said Film Code 010-46-0623/24 tract and the Southwesterly right of way line of said S P R R , 100 foot right of way, at a distance of 29 45 feet to a set 3/8" iron rod, cross the Southerly meanders of the Mean High Tide of Moses Bayou, in all, a distance of 2752 31 feet containing 318 5786 acres of land, more or less

TRACT 2

THIS TRACT LIES PARTIALLY BELOW THE MEAN HIGH TIDE MEANDERS OF MOSES BAYOU

DESCRIPTION OF 3 0289 ACRES OF LAND AND BEING OUT OF A (CALLED 12 675 ACRE TRACT) DESCRIBED IN INSTRUMENT RECORDED IN VOLUME 1727, PAGE 303, OF THE GALVESTON COUNTY DEED RECORDS, ALL BEING SITUATED IN THE JOHN LYTTLE SURVEY ABSTRACT NO 17 AND OUT OF LOT 3, IN BLOCK 1, AND LOT 1, IN BLOCK 2, IN SUBDIVISION "B" OF KOHFELDT'S RE-SUBDIVISION OF THE JAMES SMITH SURVEY, ABSTRACT NO 176, ACCORDING TO THE MAP OR PLAT RECORDED IN VOLUME 245, PAGE 290, IN THE OFFICE OF THE COUNTY CLERK OF GALVESTON COUNTY, TEXAS SAID 3 0289 ACRE TRACT OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS

COMMENCING at a 1" iron pipe at the Northwest corner of the 10 acre tract described in instrument recorded in Volume 1939, Page 107 of the Galveston County Deed Records,

THENCE S 00°00'25"E, along the West line of said 10 acres, a distance of 979 21 feet to a found 5/8" iron rod at the Place of Beginning of the 3 0289 acre tract herein described,

THENCE S 00°00'25"E, continuing with the West line of said 10 acre tract, passing at 227 11 feet a found 5/8" iron rod in the Northerly Meanders of the Mean High Tide of Moses Bayou, and continuing a total distance of 512 11 feet to a point for corner, said point marking the Southeast corner of the 3 0289 acre tract described in Film Code 010-46-0625 in the Office of the County Clerk of Galveston County, Texas,

THENCE S 58°50'00"W, 47 0 feet, S36°37'00"W, 104 0 feet and S16°57'00"W, 119 87 feet to a point in the Easterly right of way line of State Highway No 146 said point being the Southwest corner of said 3 0289 acre tract,

THENCE N 10°49'20"W, along the Easterly right of way line of State Highway 146, passing at 450 00 feet, more or less, the Northerly Mean High Tide Meanders of Moses Bayou, passing at 497 21 feet a 5/8" iron rod, in all, a distance of 687 21 feet to a found 5/8" iron rod at an angle point in said right of way line,

THENCE N 06°11'43"W, continuing with the Easterly right of way line of State Highway No 146, a distance of 59 28 feet to a found 5/8" iron rod at the Northwest corner of the 3 0289 acre tract herein described,

THENCE N 89°51'51"E, a distance of 272 56 feet to the Place of Beginning and containing 3 0289 acres of land, more or less

COMc6

GF# TNB2736-B - COM
Commitment No 44-901-80- TNB2736-B

LEGAL DESCRIPTION

TRACT 3

THIS TRACT LIES ENTIRELY BELOW THE MEAN HIGH TIDE OF MOSES BAYOU

DESCRIPTION OF A 2 8232 ACRES OF LAND OUT OF JAMES SMITH SURVEY ABSTRACT NO 176 AND OUT OF LOTS 1 AND 2, IN BLOCK 1, IN SUBDIVISION "B" OF KOHFELDT'S RE-SUBDIVISION, OF THE JAMES SMITH SURVEY ABSTRACT NO 176 ACCORDING TO THE MAP OR PLAT RECORDED IN VOLUME 245, PAGE 290, IN THE OFFICE OF THE COUNTY CLERK OF GALVESTON COUNTY, TEXAS AND OUT OF THE JOHN LYTTLE LEAGUE, ABSTRACT NO 17 IN GALVESTON COUNTY, TEXAS SAID 2 8232 ACRE TRACT OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS

COMMENCING at a 1" iron pipe at the North corner of the 10 acre tract described in instrument recorded in Volume 1939, Page 107 of the Galveston County Deed Records,

THENCE S 00°00'25"E, along the West line of said 10 acre tract, at a distance of 1206 32 cross the Northerly Mean High Tide Meanders of Moses Lake, in all, a distance of 1491 32 feet to the Southwest corner of a tract of land recorded in Film Code 010-46-0621 and being the Southeast corner of a tract of land recorded in Film Code 010-46-0625,

THENCE S 56°42'24"E, continuing across Moses Bayou, a distance of 301 68 feet to the Place of Beginning of the 2 8232 acre tract hereinafter described,

THENCE N 52°16'00"E, 87 87 feet, N 04°24' 00" E, 81 26 feet, N37° 10' 00" W, 80 38 feet, N 61° 43' 00" W, 106 35 feet, N17° 13' 00" W,41 12 feet, N 19° 45' 00" E, 50 51 feet, N52° 30' 00" E, 57 58 feet, S48°45' 00" E, 83 29 feet, S 65° 28' 00" E, 134 94 feet, N 71° 48' 00" E, 67 31 feet, N 46° 39' 00" E, 61 76 feet, N 02° 28' 00" E 46 04 feet, N 22° 20' 00 " W, 72 21 feet, N 54° 41' 00" W, 71 32 feet, N 06° 44' 00" W, 17 40 feet, S 62° 38' 00" E, 89 60 feet, S 44° 49' 00" E, 33 61 feet, S 17° 08' 00" E, 31 16 feet, S 08° 07' 00" W, 113 84 feet, S 33° 35' 00" E, 67 73 feet, S 74° 20' 00" E, 62 19 feet, N 80° 29' 00" E, 64 98 feet, S 60° 00' 00" E, 154 44 feet and S 74° 17' 00" E, 42 82 feet to a point in the East line of Lot 1 in Block 1, in Subdivision "B"

THENCE S 0°54'00"W, along the East line of Lot 1, in Block 1, in Subdivision "B", a distance of 31 32 feet to a point,

THENCE S 80°29'00"W, across Lots 1 and 2, a distance of 633 63 feet to the Place of beginning and containing 2 8232 acres, more or less

TRACT 4

THIS TRACT LIES TOTALLY BELOW THE MEAN HIGH TIDE MEANDERS OF MOSES BAYOU

DESCRIPTION OF 0 9029 ACRES OF LAND AND BEING THE SAME TRACT OF LAND (CALLED TRACT IV) DESCRIBED IN INSTRUMENT RECORDED IN VOLUME 1727, PAGE 303 OF THE GALVESTON COUNTY DEED RECORDS, ALL BEING SITUATED IN THE JOHN LYTTLE SURVEY ABSTRACT NO 17, AND OUT OF LOT 3, IN BLOCK 1, IN SUBDIVISION "B" OF KOHFELDT'S RE- SUBDIVISION OF THE JAMES SMITH SURVEY, ABSTRACT NO 176, ACCORDING TO THE MAP OR PLAT RECORDED IN VOLUME 245, PAGE 290, IN THE OFFICE OF THE COUNTY CLERK OF GALVESTON COUNTY, TEXAS IN GALVESTON COUNTY, TEXAS, SAID 0 9029 ACRE TRACT OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND

GF# TNB2736-B - COM
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LEGAL DESCRIPTION

BOUNDS AS FOLLOWS

COMMENCING at a 1" iron pipe at the Northwest corner of a 10 acre tract described in instrument recorded in Volume 1939, Page 107 of the Galveston County Deed Records,

THENCE S 00°00'25"E, along the West line of said 10 acre tract, a distance of 1206 32 feet to a found 5/8" iron rod at the Place of Beginning of the 0 9029 acre tract herein described said point lying in the Northerly Mean High Tide Meanders of Moses Bayou,

THENCE from said Beginning Point N 89°59'35"E, a distance of 227 29 feet to a point for corner, said point being the Northeast corner of the 0 9029 acre tract herein described

THENCE along the East and South lines of said 0 9029 acre tract described in Film Code 010-46-0627, S83°35'48"W 32 44 feet to a point, S55°55'30"W 76 02 feet to a point, S23°55'45"W 112 20 feet to a point, S19°38'55"E 98 51 feet to a point, S54°10'34"E 165 31 feet to a point, S39°23'16"W 40 75 feet to a point, N77°38'56"W 29 81 feet to a point, N48°46'18"W 32 79 feet to a point, N42°22'57"W 68 23 feet to a point, N72°27'44"W 86 74 feet to a point and S66°27'37"W 49 48 feet to the Southwest corner of the 0 9029 acre tract herein described and being the Southeast corner of a tract of land recorded in Film Code 010- 16-0625,

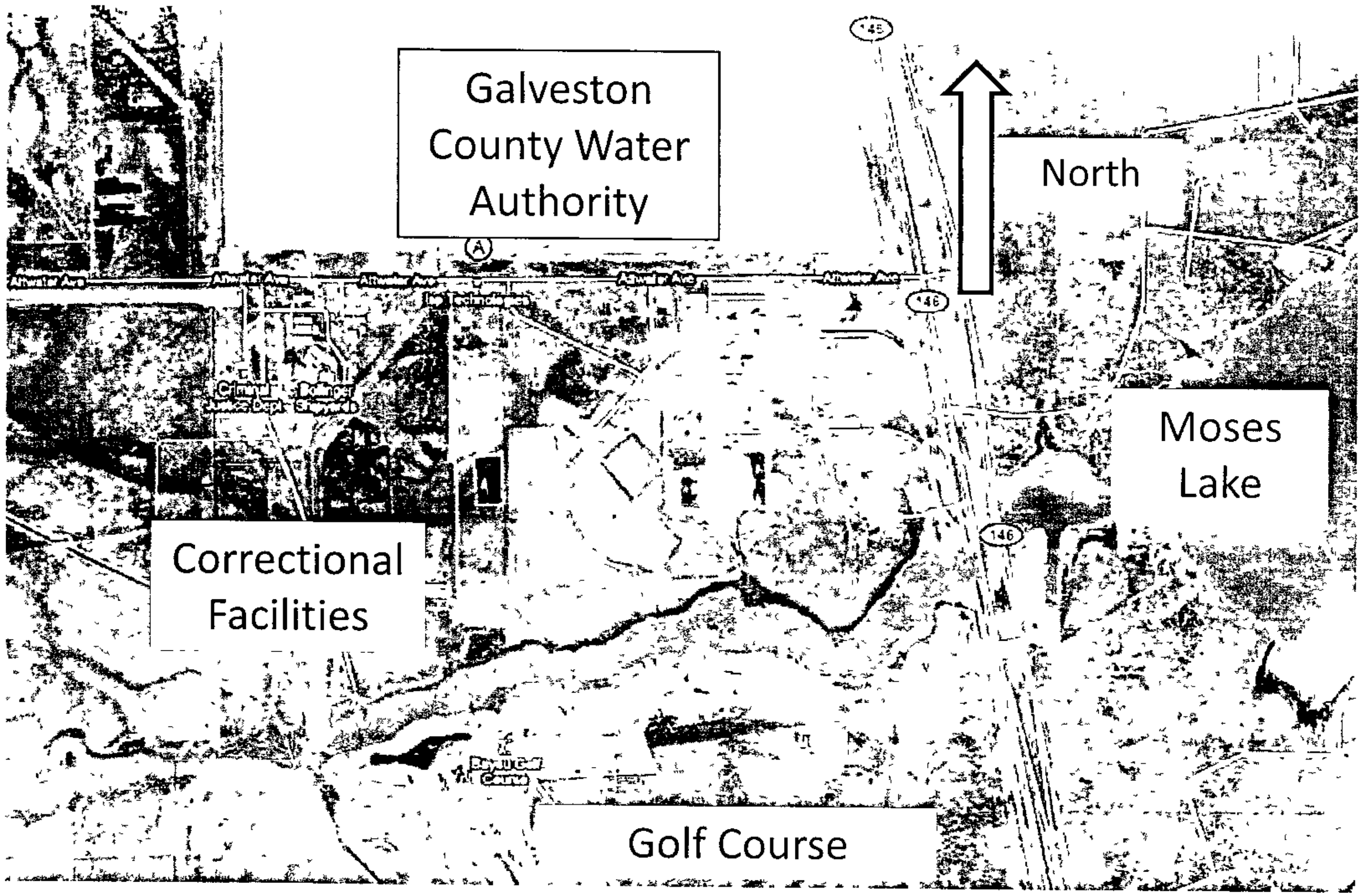
THENCE N 00°00'25"W, along the East line of a tract of land recorded in Film Code 010-46-0625 in the Office of the County Clerk of Galveston County, Texas, a distance of 285 00 feet to the Place of Beginning and continuing 0 9029 acres of land, more or less

TRACT 5

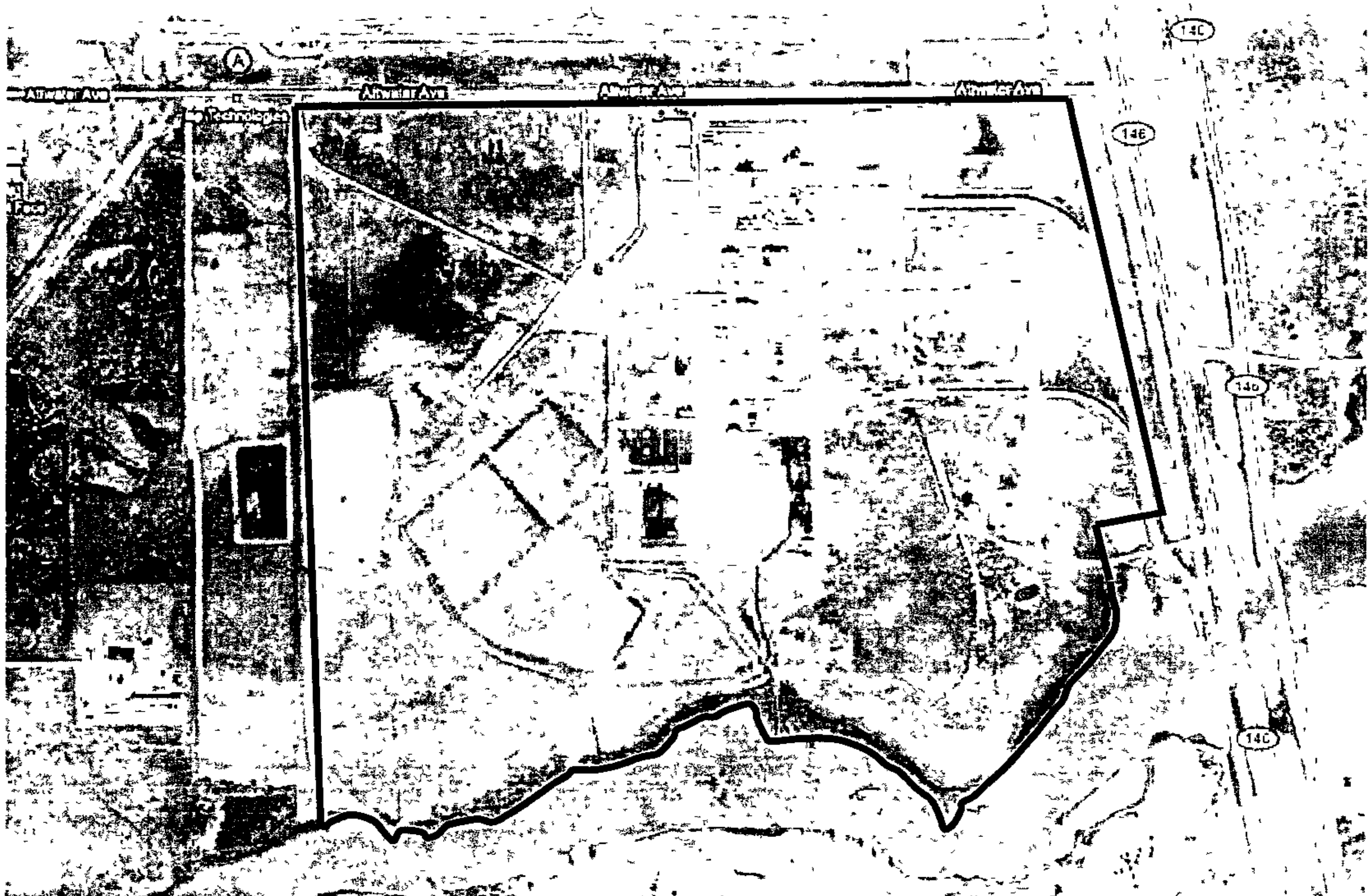
Easement appurtenant to Tract III, for ingress and egress from Moses Lake created in instruments recorded in Volume 1793, Pages 256, 261, and 266 of the Deed Records of Galveston County, Texas

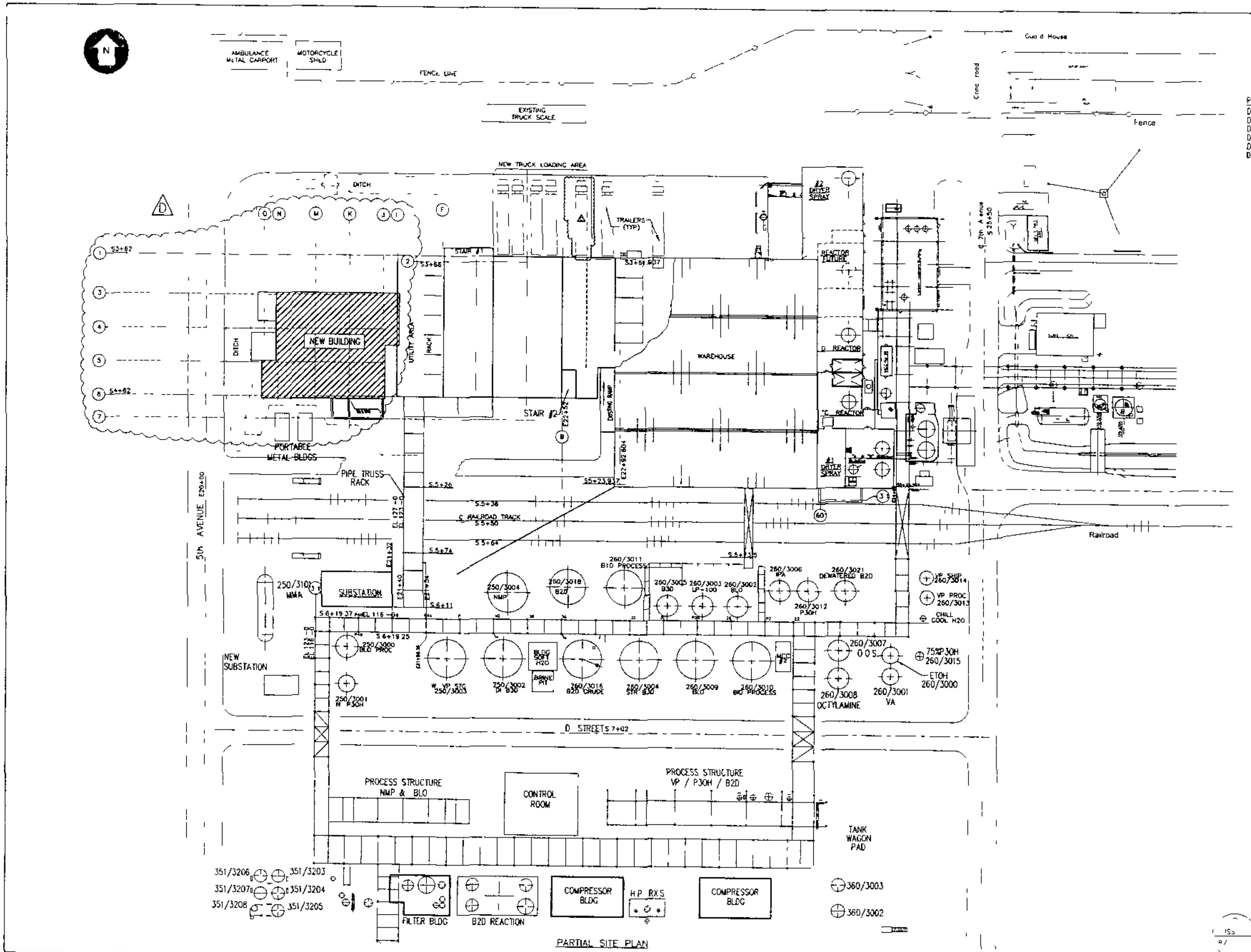
And being the same property as described in Deed Without Warranty executed by ISP Technologies LLC, a Delaware limited liability company to ISP Technologies Inc , a Delaware corporation and recorded under Galveston County Clerk's File No 2001033771

Ashland Texas City Near Neighbors



Ashland Texas City Plant Boundary





DWG NO	REFERENCES

REFERENCE DRAWINGS

D-T159-2002 GENERAL ARRANGEMENT GROUND FLOOR
D-T159-2003 GENERAL ARRANGEMENT SECOND FLOOR
D-T159-2004 GENERAL ARRANGEMENT THIRD FLOOR
D-T159-2005 GENERAL ARRANGEMENT FOURTH FLOOR
D-T159-2006 GENERAL ARRANGEMENT FIFTH FLOOR
D-T159-2007 GENERAL ARRANGEMENT HIGH ROOF

NO	REVISION	BY	DATE	CK APP
D	ISSUED FOR BID AFE TX-068	JT	8/18/12	
C	REVISED AS NOTED	LSD	10/18/06	
B	APPROVED FOR CONSTRUCTION	FPC	4/22/04	
A	APPROVED FOR DESIGN	AC	12/03	

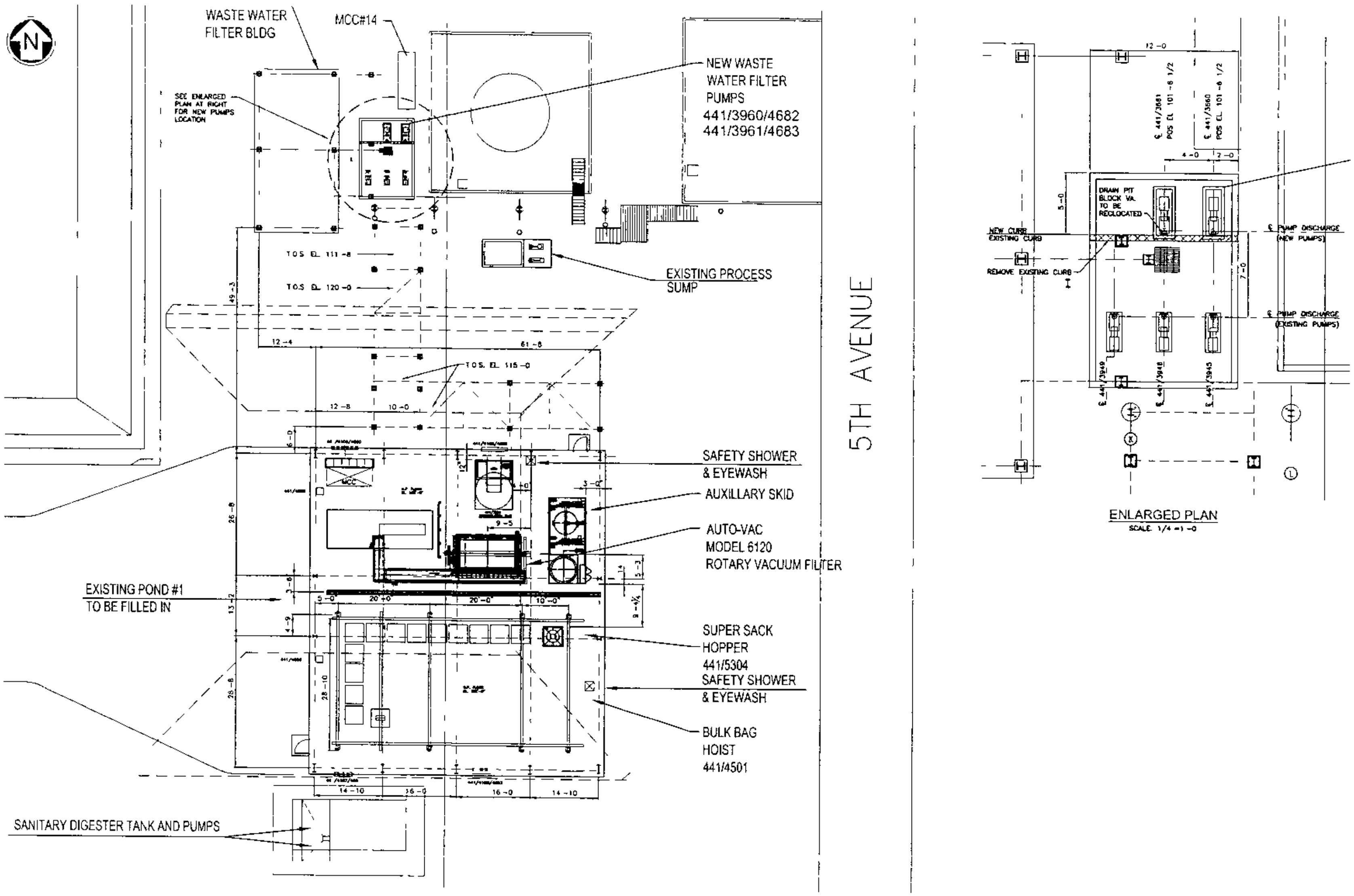
ISP INTERNATIONAL SPECIALTY PRODUCTS
ENGINEERING DEPARTMENT
WAYNE, N.J. 07470

This drawing is the property of the INTERNATIONAL SPECIALTY PRODUCTS and subject to return upon demand. It is to be used only for the purpose for which it is expressly loaned and not to be used in any way detrimental to the interest of the corporation.

TX-055 Plant TEXAS CITY TX

SITE PLAN
PVPP BUILDING
POLYPLASDONE EXPANSION

Drawn by JMC
Scale 1/32 -1 -0
Date 12-10-03
D-T159-2001 D



NOTES

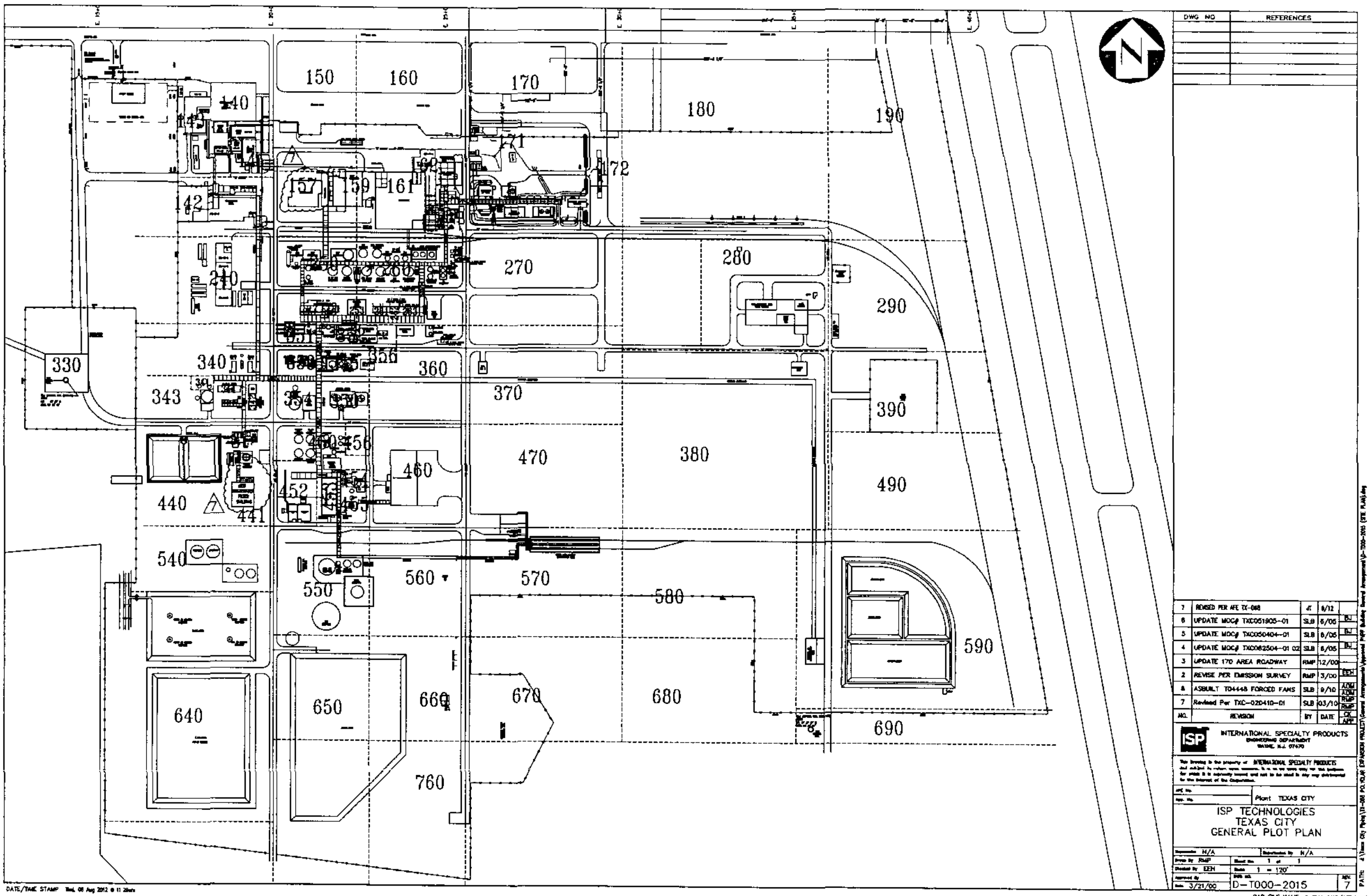
NO	REVISION	BY	DATE	CK APP
A	ISSUED FOR BID UNDERGROUND PIPING	JT	6/19/12	

INTERNATIONAL SPECIALTY PRODUCTS
ENGINEERING DEPARTMENT
WAYNE N J 07 70

AFE No. TX-068 Plant TEXAS CITY TEXAS

PIPING & MECHANICAL
GENERAL ARRANGEMENT
PVPP EXPANSION
WASTE WATER FILTER BUILDING
SITE PLAN

Drawn By JT
Sheet No. 1 of 1
Scale 3/32 =1-0
DWG NO. D-T441-4007
REV. A



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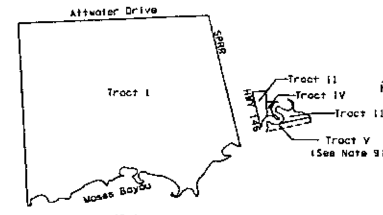
7 REVISED PER AFE TX-008 JT 8/12
6 UPDATE MOC# TXC051905-01 SLB 6/05 BJ
5 UPDATE MOC# TXC050404-01 SLB 6/05 BJ
4 UPDATE MOC# TXC062504-01 02 SLB 6/05 BJ
3 UPDATE 170 AREA ROADWAY RMP 12/00
2 REVISE PER EMISSION SURVEY RMP 3/00 EEH
8 ASBUILT T04448 FORCED FANS SLB 9/10 ADM
7 Revised Per TXC-020410-01 SLB 03/10 RMP
NO. REVISION BY DATE CK APP
INTERNATIONAL SPECIALTY PRODUCTS
Plant TEXAS CITY
ISP TECHNOLOGIES
TEXAS CITY
GENERAL PLOT PLAN
N/A
N/A
RMP
1 of 1
EEH
1 = 120'
3/21/00
D-T000-2015
7
CAD FILE NAME D-T000-2015 (SITE PLAN).dwg
DATE/TIME STAMP



PROPERTY DETAIL
1 1600

TRACT/TAX PARCEL SUMMARY

Tract	Area by Survey	PID	Comment
I	318 5786 ac	R157792	See Note 6
		R157793	"
II	3 0289	R213731	See Note 7
III	2 0232	R307253	"
IV	0 9029	None	See Note 8
V	2 44	n/a	See Note 9

NOTES

1) The image hereon was extracted from digital orthoimagery that was downloaded from http //seamless/usgs gov The source photography was taken sometime between 12/30/07 & 2/01/08 The native format of this drawing is Microstation/IRASC

2) The boundaries hereon were derived in part from a survey by Gulf Coast Engineering & Surveying dated 11/27/01 and partially from the historical description of the property in the deed to ISP Technologies Inc that is recorded under Galveston County Clerk s File No 9522511

3) The apparent record title for the property is the deed to ISP Technologies LLC that is recorded under GCCF No 2001033771

4) The tracts identified hereon are numbered in accordance with the aforesaid deeds and survey

5) The areas by survey are the same as in the record deed except the deed does not state an area for Tract V

6) Tract I consists of tax parcels R157792 & R157793 which have a combined area of 320 47 acres

7) The listed areas of tax parcels R213731 & R307253 are the same as the area by survey

8) ISP evidently s not paying taxes on Tract IV as evidenced by the apparent absence of a distinct tax parcel for this tract that is listed in its name This tract is seemingly part of tax parcel R157804 which is currently listed as being owned by the Nature Conservancy of Texas

9) Tract V is merely an easement over submerged lands that are evidently owned by the Nature Conservancy of Texas

Environs of
"ISP" Property
4501 Attwater Drive
Texas City, Texas 77590

GRAPHIC SCALE 1 INCH 400 FEET

DRAWN: 6-29-11	BY: L R Wells	REV

ASHLAND

ASHLAND INC
CORPORATE REAL ESTATE
LEXINGTON KENTUCKY

DEED FILE NO	DRAWING NO
n/a	RE - 20257

ASHLAND.

Ashland Specialty Ingredients

Jay Bizarro

4501 Attwater Avenue
PO Box 2141
Texas City, TX 77592
(409) 945-3411

ashland com

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

December 3, 2012

Connie Nicholson
Director, Community Service Division
County of Galveston
722 Moody 5th Floor
Galveston, TX 77550

Ms Nicholson

RE **Ashland Specialty Ingredients – Polyclar/Polyplasdone Facility**
2012 Property Tax Abatement Application

Dear Ms Nicholson,

Enclosed is a check from ISP Technologies/Ashland Inc in the amount of $1,000 00 payable to Galveston County Assessor and Collector of Taxes for the Tax Abatement Application for Ashland, Inc of Texas City, Texas

We thank you for your support and should you have any questions, or need additional information, I certainly welcome your call at (409) 942-1806

Best Regards,

Jay Bizarro
Director of Operations, Ashland Specialty Ingredients

Enclosure

ISP Technologies, Inc.
1361 Alps Road, Wayne, NJ 07470

VENDOR **00014875**

Bank of America

Controlled Disbursement
Bank of America, N A
Atlanta, Dekalb County, Georgia

TRANSIT NUMBER
ROUTING SYMBOL [redacted]

Check# **00120680**
Date 11/15/12

CHECK AMOUNT $ *****1000.00

PAY *One Thousand Dollars and 00 Cents*

Pay to The Order Of

GALVESTON COUNTY
ASSESSOR AND COLLECTOR OF TAXES
722 MOODY
GALVESTON TX
77550

Lynn P. Freeman
Authorized Signature

THE BACK OF THIS DOCUMENT HAS AN ISP LOGO PRINTED IN WHITE INK IN MULTIPLE POSITIONS • HOLD AT AN ANGLE TO VIEW • VOID IF NOT PRESENT

⑈00120680⑈ [redacted]

VENDOR NO. 00014875 **VENDOR** GALVESTON COUNTY

INVOICE DATE	TYPE	INVOICE/SUPPLIER REFERENCE NUMBER	P O NUMBER	VOUCHER NO	GROSS AMOUNT	DISCOUNT	NET AMOUNT
11/02/12	IN	110212100000		10202504	1000 00	00	1000 00
				CHECK NO 00120680	**1000 00**	**00**	**1000.00**

ASHLAND

Ashland Specialty Ingredients
P.O. Box 2141
Texas City TX 77592 2141
4501 Attwater Avenue
Texas City TX 77590

CERTIFIED MAIL

7010 1870 0002 3128 0954

UNITED STATES POSTAGE
PITNEY BOWES

Connie Nicholson
Director, Community Service Division
County of Galveston
722 Moody 5th Floor
Galveston, TX 77550

Annual | Report | 2011

ASHLAND®

With good chemistry great things happen™

Our | Story

Ashland Inc (NYSE ASH) is a global leader in specialty chemical solutions for consumer and industrial markets Our innovative products and services add value to things that people around the world use or come into contact with every day The chemistries we provide enable pharmaceuticals that excel in form and function, more youthful appearance through anti-aging ingredients, cleaner water in a variety of industrial and commercial settings, more sustainable building products, lighter, yet stronger, wind-turbine blades, and reduced energy consumption through advanced, recycled, re-refined motor oils People encounter our chemistries in a wide variety of markets and applications, including architectural coatings, automotive, construction, energy, food and beverage, personal care, pharmaceutical, tissue and towel, and water treatment

At Ashland, we are 15,000 people who come together to solve problems and create competitive advantage for our customers anywhere in the world Through our four commercial units – Ashland Specialty Ingredients, Ashland Water Technologies, Ashland Performance Materials and Ashland Consumer Markets – we are making great chemistry happen every day

Financial | Highlights[1]

(Dollars in millions except per share data)

Years ended September 30	2011	2010	2009
Sales	**$ 6,502**	$ 5,741	$ 5,220
Operating income (loss)	**$ 130**	$ 249	$ (91)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**$ 429**	$ 529	$ 224
Adjusted EBITDA[2]	**$ 820**	$ 808	$ 754
Income (loss) from continuing operations	**$ 56**	$ 88	$ (240)
Net income (loss)	**$ 414**	$ 141	$ (261)
Diluted earnings per share			
Income (loss) from continuing operations	**$ 0.70**	$ 1.11	$ (3.31)
Income (loss) from discontinued operations	**4.47**	0.67	(0.29)
Net income (loss)	**$ 5.17**	$ 1.78	$ (3.60)
Cash flows from operating activities from continuing operations	**$ 243**	$ 551	$ 735
Additions to property, plant and equipment	**$ 201**	$ 192	$ 165
Number of employees	**15,000**	14,500	14,700
Number of common stockholders of record	**15,600**	16,200	16,300

[1] All income measurements except Adjusted EBITDA reflect a change in accounting principle for pension and postretirement benefit costs

[2] Excludes certain key items

Contents |

When I think about our future,
the word that comes to mind is promise
Our promise to our people, our customers,
our investors, our communities and our suppliers
is that we are going to build
the best specialty chemical company in the world.
I believe we are well on our way

James J O'Brien
Chairman and Chief Executive Officer

To Our Shareholders:

It's been quite a journey since 2002, and over the course of that journey, we've reinvented Ashland Back then, we were a diversified and very cyclical business, supplying petroleum, chemicals, plastics, and highway construction products and services primarily in North America Today, Ashland is among the largest specialty chemical companies in the world, well-positioned in important growth markets This remarkable transformation has created a company with excellent prospects for future growth

Ashland today consists of four strong operations, with almost 80 percent of our pro forma earnings derived from specialty chemicals and the remainder coming from our Ashland Consumer Markets commercial unit Geographically, nearly half of our pro forma sales come from outside North America

Defining moments:
Divestiture of Ashland Distribution and acquisition of ISP

Two major transactions in fiscal 2011 completed the transformation of Ashland First was the sale for nearly $1 0 billion in cash of our Ashland Distribution business in March Even more important was our acquisition of International Specialty Products Inc (ISP), a privately held, global specialty-chemical manufacturer with strong positions in higher-margin, higher-growth and largely noncyclical markets We completed the ISP acquisition in August for $3 2 billion in cash

With the sale of Ashland Distribution and the acquisition of ISP, we have significantly reduced Ashland's exposure to cyclical markets, and your company should enjoy more stable, predictable earnings growth going forward

Strategic benefits of ISP acquisition

Taking a step back in time, as we looked for ways to deploy our capital and grow our specialty chemicals position, it became apparent that ISP was a very compelling opportunity It achieved more than $1 5 billion of calendar 2010 sales and almost $330 million of EBITDA, offered a global footprint, and possessed the ability to develop and deliver sophisticated, performance-enhancing chemistries to markets we found extremely attractive And, it was a perfect strategic fit with our Ashland Aqualon Functional Ingredients commercial unit, offering complementary platforms in familiar market segments such as pharmaceutical, hair, oral and skin care, food and beverage, and energy

Today, we call the combined business Ashland Specialty Ingredients, and when ISP's results are included for the full year, this commercial unit would have provided roughly half of Ashland's pro forma EBITDA for fiscal 2011

The opportunity for Ashland is clearly set forth. Our actions to reinvent Ashland have primed us for top-line growth and earnings expansion.

Through this acquisition, we enhanced our penetration of very important growth markets and obtained a portfolio of innovative chemistries that correlated with our own We now can offer such products as anti-aging ingredients for use in skin care products, advanced styling and fixative polymers for hair care products, and active gingivitis-control ingredients for oral care products The acquisition of ISP also greatly increased our offerings of pharmaceutical excipients and water-soluble polymers, while expanding our global research-and-development capabilities

Most important, Ashland and ISP serve many of the same customers, and the acquisition builds our relationships with them Combining these two businesses creates a major force in market focus, technology and innovation that will serve our customers and investors well

Fiscal 2011 performance

Turning to Ashland's performance for fiscal 2011, our adjusted EBITDA of $820 million reflected a slight increase over 2010, and our adjusted EBITDA margin stood at 12 6 percent Our results for the year benefited from the significant cost reductions we have accomplished since 2008, but were dampened by raw-material cost escalation that was relentless throughout the year Our pursuit of pricing to recover costs helped generate a 13-percent sales increase

Ashland Specialty Ingredients had a great year Sales were up 37 percent to $1 2 billion, including $157 million from the acquired ISP business during the five weeks we owned it Specialty Ingredients achieved $300 million of adjusted EBITDA during fiscal 2011, for an increase of 34 percent over the prior year, and the adjusted EBITDA margin was 23 9 percent Strong demand for many of Specialty Ingredients' product lines, coupled with aggressive price management to cover significant raw-material cost increases, generated the robust results I expect continued strong growth from Specialty Ingredients This will be driven by organic growth, especially in the higher-margin pharmaceutical, personal care and coatings segments, by new product innovation, by productivity gains, including obtaining cost synergies from the ISP acquisition, and by geographic expansion, particularly in the emerging regions of the world

Ashland Water Technologies achieved sales growth of 7 percent to $1 9 billion in fiscal 2011, but adjusted EBITDA declined 11 percent to $194 million The adjusted EBITDA margin was 10 2 percent Global raw material costs have increased by roughly $120 million, and to mitigate the gross profit impact, Water Technologies has raised its pricing significantly We recovered more than 80 percent of these raw material increases during the fiscal year However, I expect Water Technologies to continue to take appropriate pricing actions to recover costs, focus sales efforts on higher-margin applications, and maintain its selling, general and administrative (SG&A) expenses at a level lower than the rate of sales growth These ongoing actions, coupled with improved volume and mix, should enable expanded margins over time and drive sustainable growth

Fiscal 2011 was a year of change for Ashland Performance Materials During the first quarter, we contributed our former Casting Solutions business unit to a global, 50-50 foundry joint venture now known as ASK Chemicals As a result, Ashland was able to harvest approximately $75 million from the business combination Also, during the fourth quarter, ISP's elastomers business was folded into Performance Materials This was a good fit as both sell into the transportation and adhesives markets

For fiscal 2011, Performance Materials' sales grew 7 percent to $1 4 billion, including elastomers' one month and two months of Casting Solutions' sales Adjusted EBITDA for the year grew 3 percent to $99 million, with an adjusted EBITDA margin of 7 2 percent While Performance Materials has seen strong growth in emerging regions, the return of demand in mature markets has been slow Given Performance Materials' lower cost structure achieved over the past three years, any incremental increase in demand should generate improved margins, due to the relatively fixed nature of its manufacturing costs and SG&A expenses To enable top-line growth and expand margins, Performance Materials will be pursuing organic growth, including new product innovation, increased sales into high-growth markets such as wind energy and mining, geographic expansion in emerging regions, and further cost reductions Performance Materials has the plans in place to achieve growth, and these targets are well within our reach

Ashland Consumer Markets, which is our Valvoline business, faced sizeable and repeated raw-material cost escalation throughout fiscal 2011 Although Consumer Markets implemented offsetting price increases, the price-cost lag effect created significant margin compression Thus, after two consecutive record years, Consumer Markets reported lower earnings for fiscal 2011 For the year, Consumer Markets recorded adjusted EBITDA of $251 million, 18 percent below the prior year, and an adjusted EBITDA margin of 12 7 percent Sales grew 12 percent to $2 0 billion A key accomplishment during the year was the launch of Valvoline NextGen™ motor oil made with 50-percent recycled, re-refined base oil Initial acceptance has exceeded our expectations, and we expect to further build market share We expect Consumer Markets to regain its earnings momentum through necessary pricing actions, development of international markets, increased sales of premium products and expansion of the Valvoline Instant Oil Change™ system

Focused on the future

As I look forward, the opportunity for Ashland is clearly set forth Our actions to reinvent Ashland have primed us for top-line growth and earnings expansion This will come from four primary areas

First is organic growth We expect all of our commercial units to grow in excess of their underlying markets Underpinning this growth will be a broad focus on innovation and technology, as well as growth in emerging regions We are well-positioned in China and Brazil, and we expect to disproportionately favor emerging regions with greater capital and more people to support our efforts there

Second is margin expansion We expect our consolidated EBITDA margins to grow to 17 percent to 18 percent by fiscal 2014 We should achieve this through greater growth in our higher-margin commercial units – in particular, Specialty Ingredients – as well as through further cost recovery – primarily in Water Technologies and Consumer Markets We also expect business mix improvements, and finally, we expect to achieve volume gains

Third is achieving further cost efficiencies We are targeting $90 million in overall cost reductions The first $40 million of cost savings should be achieved during the 2012 fiscal year, with another $50 million resulting from synergies from the ISP acquisition We expect that this should be largely complete by the end of the 2013 fiscal year By that time, we should have largely integrated ISP and moved it onto our global ERP platform

Last is capital allocation We expect our commercial units to generate significant amounts of cash for Ashland, which in turn, we will reinvest in these businesses to expand capacity and support growth Excess cash will be focused on building liquidity to ultimately retire high-interest-rate debt

With gratitude for 31 years of service

I cannot end this letter without acknowledging our long-time colleague David Hausrath, who retires December 1 David joined Ashland in 1980 as an attorney, and during his tenure at Ashland, he has served as a vice president, senior vice president, general counsel and member of the Executive Committee, as well as held the responsibilities of corporate secretary and chairman of the Ethics and Compliance Committee His keen understanding of complex legal matters, coupled with his high standards, has served the company well He has provided significant guidance to me during a period of great change for our company Everyone who has had the privilege of knowing and working with David has a deep respect for him and his many contributions

Promising future

Ashland's future as a specialty chemical company is quite bright The priority for us now is to fully and successfully integrate the ISP business – as we did Hercules – and to leverage the potential that exists We have size We have scale We have focus We have built a solid foundation, and your company is now primed for increased growth

Best regards,

James J O'Brien
Chairman and Chief Executive Officer
November 22, 2011

Ashland | at | a | Glance

Ashland Specialty Ingredients

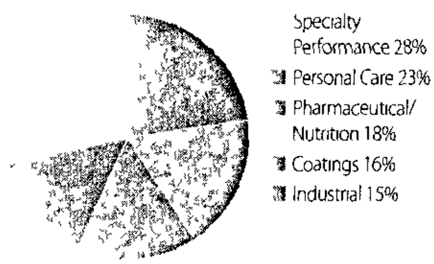
The #1 global producer of cellulose ethers and a global leader in vinyl pyrrolidones

Pro Forma Sales **$2.5 Billion**
Pro Forma Adjusted EBITDA **$608 Million**
Pro Forma Adjusted EBITDA Margin **23.9%**

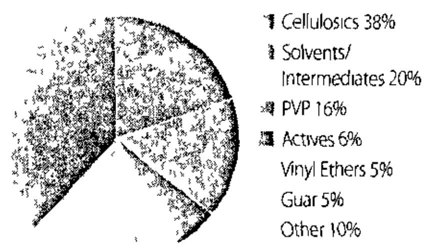
Ashland Specialty Ingredients offers industry-leading products, technologies and resources for solving formulation and product-performance challenges Using natural, synthetic and semisynthetic polymers derived from plant and seed extract, cellulose ethers and vinyl pyrrolidones, Specialty Ingredients offers comprehensive and innovative solutions for today's demanding consumer and industrial applications

Key customers include pharmaceutical companies, makers of personal care products, food and beverages, and cosmetics, manufacturers of paint, coatings and construction materials, and oilfield service companies

Sales by Market



Sales by Product



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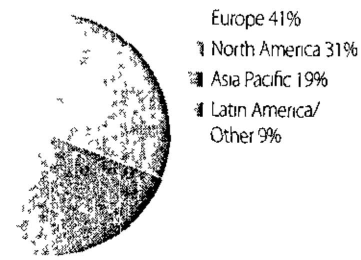


Ashland Water Technologies

The #1 global producer of specialty papermaking chemicals

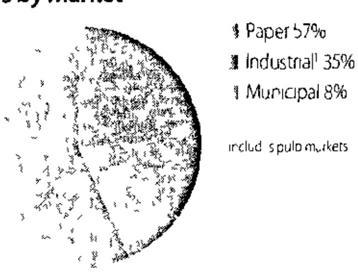
Sales **$1.9 Billion**
Adjusted EBITDA **$194 Million**
Adjusted EBITDA Margin **10.2%**

Ashland Water Technologies is a leading specialty chemicals supplier of process, utility and functional chemistries globally Water Technologies offers products and equipment technologies designed to help customers improve operational efficiencies, enhance product quality, protect plant assets and minimize environmental impact

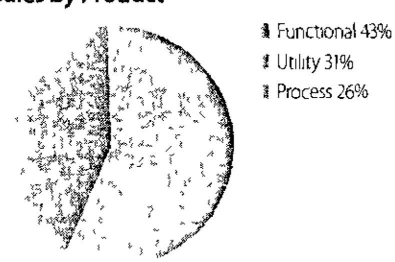
To meet the diverse requirements of its customers, Water Technologies offers a range of services, including analytical and applications laboratories, customized program offerings and, through its StreamLink Specialty Chemicals business unit, a focused-service approach

Key customers for Water Technologies include producers of virgin and deinked pulps, packaging, tissue and towels, and printing and writing papers, utility managers of fruit, vegetable, dairy and beverage processors, extraction mining operations, light and heavy industry, and municipalities

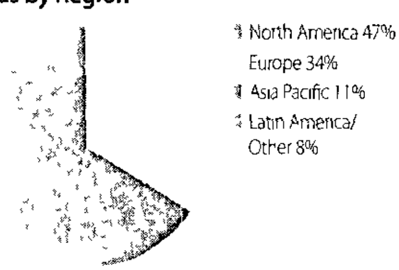
Sales by Market



Sales by Product



Sales by Region



Ashland Performance Materials

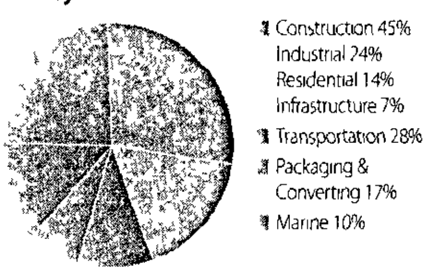
The #1 global leader in unsaturated polyester resins and vinyl ester resins

Pro Forma Sales **$1.7 Billion**
Pro Forma Adjusted EBITDA **$133 Million**
Pro Forma Adjusted EBITDA Margin **7.7%**

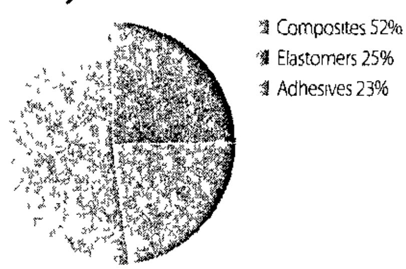
Ashland Performance Materials is a global leader in composite resins, gelcoats, adhesives, specialty coatings and elastomers It also provides metal casting consumables and design services for effective foundry management through the ASK Chemicals GmbH joint venture Performance Materials' epoxy vinyl ester resins, unsaturated polyester resins, water-based and energy-curable coatings, pressure-sensitive, laminating, structural and industrial adhesives, and elastomers are used in the construction, transportation, infrastructure, boatbuilding, and packaging and converting markets

Key customers include manufacturers of residential and commercial building products, infrastructure engineers, wind blade manufacturers, pipe manufacturers, auto and truck makers, tire makers, commercial label printers, specialty film converters and boatbuilders

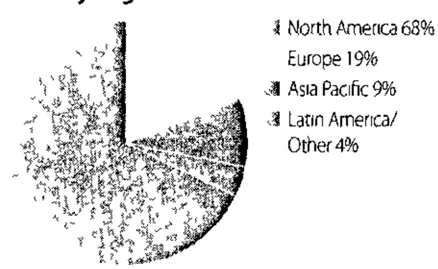
Sales by Market



Sales by Product



Sales by Region



Ashland Consumer Markets

The #2 passenger-car motor oil and franchised quick-lube chain in the United States

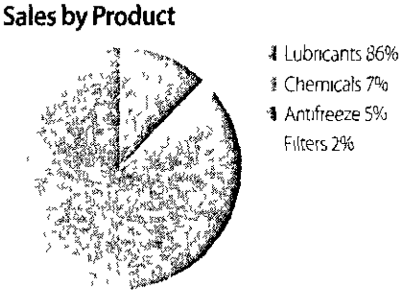
Sales **$2.0 Billion**
Adjusted EBITDA **$251 Million**
Adjusted EBITDA Margin **12.7%**

Ashland Consumer Markets is a leading, worldwide producer and distributor of premium-branded automotive, commercial and industrial lubricants and car-care products It operates and franchises more than 860 Valvoline Instant Oil Change™ centers in the U S It markets Valvoline™ lubricants and automotive chemicals, MaxLife™ lubricants for cars with higher mileage engines, NextGen™ motor oil, created with 50-percent recycled, re-refined oil, SynPower™ synthetic motor oil, Eagle One™ and Car Brite™ automotive appearance products, and Zerex™ antifreeze

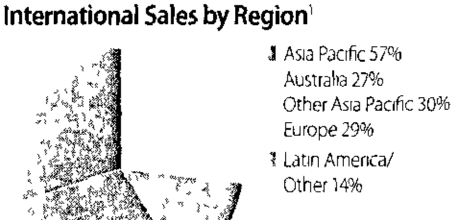
Key customers include retail auto parts stores and mass merchandisers who sell to consumers, installers, such as car dealers, repair shops and quick lubes, commercial fleets, and distributors

Sales by Market

Sales by Product



International Sales by Region[1]



[1] Includes nonconsolidated joint ventures

Our | Vision

What we seek to become.

Our vision is to be viewed as the best specialty chemical company in the world

Our | Mission

Why we are here.

We satisfy our customers by delivering results through quality chemical products and services Our desire to grow drives our passion to win in the marketplace With a unified, low-cost operating structure, we'll remain competitive across every business and in every geographic region

Our | Values

Who we are.

We act with integrity and honesty

We focus on customer and shareholder success and compete to win

We recognize each person for the difference he or she makes

We drive innovation and results by understanding the market and its opportunities

We are committed to the values of responsibility, sustainability and transparency

We create safe and health-conscious work environments, require compliance and embrace environmental stewardship

Corporate | Governance

Ashland is governed by a 10-member board of directors, nine of whom are independent directors under New York Stock Exchange (NYSE) guidelines The board conducted eight meetings in fiscal 2011 During fiscal 2011, the board operated the following committees, all of which consisted entirely of outside directors Audit, Environmental, Health and Safety, Finance, Governance and Nominating, and Personnel and Compensation These five committees met a total of 23 times The Audit Committee also met quarterly to review Ashland's quarterly financial performance, associated news releases, and Form 10-Q and Form 10-K filings with the U S Securities and Exchange Commission In May 2011, the Finance Committee was disbanded and its responsibilities were assumed by the Audit Committee

Ashland's chief executive officer (CEO) and chief financial officer have each submitted certifications concerning the accuracy of financial and other information in Ashland's annual report on Form 10-K, as required by Section 302(a) of the Sarbanes-Oxley Act of 2002 The certifications are filed as exhibits to Ashland's 2011 annual report on Form 10-K In addition, the NYSE requires that the CEO of listed companies annually certify that he or she is not aware of any violation by the company of NYSE corporate governance listing standards Ashland's chairman and CEO, James J O'Brien, certified Ashland's compliance with the NYSE corporate governance listing standards on Feb 22, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission file number 1-32532

ASHLAND INC.

Kentucky	20-0865835
(State or other jurisdiction of incorporation or organization)	(I R S Employer Identification No)

50 E RiverCenter Boulevard
P O Box 391
Covington, Kentucky 41012-0391
Telephone Number (859) 815-3333

Securities Registered Pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Common Stock, par value $ 01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files) Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☑

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one)

Large Accelerated Filer ☑	Accelerated Filer ☐
Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act)

Yes ☐ No ☑

At March 31, 2011, the aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $4,546,731,348 In determining this amount, the Registrant has assumed that its directors and executive officers are affiliates Such assumption shall not be deemed conclusive for any other purpose

At October 31, 2011, there were 78,107,463 shares of Registrant's common stock outstanding

Documents Incorporated by Reference

Portions of Registrant's Proxy Statement (Proxy Statement) for its January 26, 2012 Annual Meeting of Shareholders are incorporated by reference into Part III of this annual report on Form 10-K to the extent described herein

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PART I

ITEM 1. BUSINESS

GENERAL

Ashland Inc is a Kentucky corporation, with its principal executive offices located at 50 E RiverCenter Boulevard, Covington, Kentucky 41011 (Mailing Address 50 E RiverCenter Boulevard, P O Box 391, Covington, Kentucky 41012-0391) (Telephone (859) 815-3333) Ashland was organized in 2004 as the successor to a Kentucky corporation of the same name organized on October 22, 1936 The terms "Ashland" and the "Company" as used herein include Ashland Inc , its predecessors and its consolidated subsidiaries, except where the context indicates otherwise

Ashland is a leading, global specialty chemical company that provides products, services and solutions that meet customers needs throughout a variety of industries Ashland's business consists of four reportable segments Ashland Specialty Ingredients, Ashland Water Technologies, Ashland Performance Materials and Ashland Consumer Markets

Financial information about these segments for each of the fiscal years in the three-year period ended September 30, 2011 is set forth in Note Q of Notes to Consolidated Financial Statements in this annual report on Form 10-K

Ashland Specialty Ingredients offers industry-leading products, technologies and resources for solving formulation and product performance challenges in a variety of markets including personal care, pharmaceutical, food and beverage, coatings, construction and energy

Ashland Water Technologies is a leading specialty chemical supplier to the pulp, paper, mining, food and beverage, commercial and institutional, chemicals processing, general manufacturing and municipal wastewater-treatment industries

Ashland Performance Materials is a global producer of specialty resins and adhesives serving the construction, transportation, infrastructure, packaging and converting, marine and energy markets

Ashland Consumer Markets is a leading innovator and supplier of high-performance lubricants, automotive chemicals and appearance products, including those marketed under the Valvoline™ brands, and is an operator and franchisor of Valvoline Instant Oil Change™ centers

At September 30, 2011, Ashland and its consolidated subsidiaries had approximately 15,000 employees (excluding contract employees)

Available Information — Ashland's Internet address is *http //www ashland com* On this website, Ashland makes available, free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as well as any beneficial ownership reports of officers and directors filed on Forms 3, 4 and 5 All such reports will be available as soon as reasonably practicable after they are electronically filed with, or electronically furnished to, the Securities and Exchange Commission (SEC) Ashland also makes available, free of charge on its website, its Corporate Governance Guidelines, Board Committee Charters, Director Independence Standards, and code of business conduct that applies to Ashland's directors, officers and employees These documents are also available in print to any shareholder who requests them Information contained on Ashland's website is not part of this annual report on Form 10-K and is not incorporated by reference in this document The public may read and copy any materials Ashland files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330 The SEC maintains an Internet site (http //www sec gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC

CORPORATE DEVELOPMENTS

On November 30, 2010, Ashland and Sud-Chemie AG (Sud-Chemie) completed the combination of their worldwide activities in the foundry chemical sector through the formation of a global joint venture The joint venture, based in Hilden, Germany, operates under the name ASK Chemicals GmbH Ashland and Sud-Chemie each hold a fifty-percent interest in ASK Chemicals GmbH, and operations management leadership is held by Sud-Chemie For additional information regarding the joint venture, see Note C of Notes to Consolidated Financial Statements in this annual report on Form 10-K

On March 31, 2011, Ashland completed the sale of substantially all of the assets of its global distribution business (which previously comprised the Ashland Distribution business segment) to Nexeo Solutions, LLC, formerly known as TPG Accolade, LLC, for a purchase price, net of adjustments, of $972 million in cash For additional information regarding the sale of Ashland Distribution, see Note C of Notes to Consolidated Financial Statements in this annual report on Form 10-K

On August 23, 2011, Ashland completed the acquisition of International Specialty Products Inc (ISP) whereby Ashland acquired all of the outstanding equity interests of ISP The purchase was an all-cash transaction for $3 2 billion, reduced by the amount of ISP's net indebtedness at closing The purchase price is subject to certain post-closing adjustments As a result of the ISP transaction, Ashland's former Ashland Aqualon Functional Ingredients business segment has been combined with ISP to form the Ashland Specialty Ingredients business segment Additionally, as a part of the ISP acquisition, Ashland Performance Materials assumed operations of ISP's Elastomers business For additional information regarding the ISP transaction, see Note B of Notes to Consolidated Financial Statements in this annual report on Form 10-K

ASHLAND SPECIALTY INGREDIENTS

Ashland Specialty Ingredients (Specialty Ingredients) offers industry-leading products, technologies and resources for solving formulation and product performance challenges in a variety of markets including personal care, pharmaceutical, food and beverage, coatings, construction and energy Using natural, synthetic and semi-synthetic polymers derived from plant and seed extracts, cellulose ethers and vinyl pyrrolidones, Specialty Ingredients offers comprehensive and innovative solutions for consumer and industrial applications

Specialty Ingredients' areas of expertise include organic and synthetic chemistry, polymer chemistry, surface and colloid science, rheology and microbiology

Specialty Ingredients' solutions provide an array of properties, including thickening and rheology control, water retention, adhesive strength, binding power, film formation, conditioning and deposition, colloid stabilization, suspension, ultraviolet light filtration and color

Specialty Ingredients is comprised of the following businesses

Care Specialties – The Care Specialties business is comprised of the Oral Care, Hair Care, Skin Care and Household product lines

- Oral Care – Specialty Ingredients' portfolio of oral care products deliver active ingredients in toothpaste and mouthwashes, provide bioadhesive functionality for dentures; deliver flavor, texture and other functional properties, and provide product binding to ensure form and function throughout product lifecycle
- Hair Care – Specialty Ingredients' portfolio of hair care products include advanced styling polymers, fixatives, conditioning polymers, emulsifiers, preservatives and rheology modifiers
- Skin Care – Specialty Ingredients' portfolio of skin care products help to detoxify, firm, nourish, revitalize and smooth skin The Skin Care line also provides sun care products, including UV filters, water-resistant agents, and thickeners Emulsifiers, emollients, preservatives and rheology modifiers complete the Skin Care product line
- Household – Specialty Ingredients' portfolio of products and technologies are used in many types of cleaning applications, including fabric care, household and dish washing Specialty Ingredients' products are used in a variety of applications for viscosity enhancement, particle suspension, rheology modification and stabilization

Pharmaceutical & Nutrition Specialties – The Pharmaceutical & Nutrition Specialties business includes the Pharmaceutical and Food and Beverage product lines

- Pharmaceutical –
  - Excipients and Tablet Coating Systems – Specialty Ingredients is a leading supplier of excipients and tablet coating systems to the pharmaceutical and nutraceutical industries The excipients business offers a comprehensive range of polymers for use as tablet binders, superdisintegrants and drug solubilizers, as well as a portfolio of fully formulated, one-step tablet coating systems for immediate release, sustained release and delayed release solutions
  - Specialty Products – Specialty Ingredients offers a select series of active ingredients and biopolymers with applications in the pharmaceutical and nutraceutical industries including an iron supplement that provides for bioavailability of iron, a PVP-iodine antiseptic skin disinfectant for wound treatments, and copolymers that deliver superior film forming and adhesion properties for spray bandages and ostomy adhesives
- Food and Beverage – Specialty Ingredients is a global leader in cellulosic food ingredients Its products include premium additives, stabilizers and gums, which are used in a wide range of ingredient offerings for bakery, beverage, dairy, desserts and toppings, meat, meat alternatives, pet food, prepared foods, sauces and savory products, and clarifiers used for wine and beer

Coatings Specialties – The Coatings Specialties business includes the Coatings and Biocides product lines

- Coatings – Specialty Ingredients is a recognized leader in rheology solutions for waterborne paints and coatings Products include hydroxyethlcellulose (HEC), which provides thickening and application properties for interior and exterior paints, and nonionic synthetic associative thickeners (NSATs), which are APEO-free liquid synthetics for high performance paints and industrial coatings
- Biocides – Specialty Ingredients offers a comprehensive line of biocides and preservatives for paints, coatings and wood care In addition, Specialty Ingredients offers a broad portfolio of performance foam control agents, surfactants and wetting agents, co-binders and dispersants, and pH neutralizers

Industrial Specialties – The Industrial Specialties business includes the Construction and Energy product lines

- Construction – Specialty Ingredients is a major producer and supplier of cellulose ethers and companion products for the construction industry These products control properties such as water retention, open time, workability, adhesion, stabilization, pumping, sag resistance, rheology properties, strength, appearance and performance
- Energy – Specialty Ingredients is a leading global manufacturer of synthetic-, cellulose-, and guar-based products for drilling fluids, oil well cement slurries, completion and workover fluids, fracturing fluids and production chemicals Specialty Ingredients offers the oil and gas industry solutions for drilling, stimulation, completion, cementing and production applications

Performance Specialties – The Performance Specialties business provides products and services to over 30 industry-focused business segments It offers a broad spectrum of organo- and water-soluble polymers that are derived from both natural and synthetic resources Its product lines include derivatized cellulose polymers, synthetics, guar and guar derivatives that impart effective functionalities to serve a variety of industrial markets and specialized applications Performance Specialties also offers a comprehensive portfolio of butanediol (BDO) and its derivatives including tetrahydrofuran (THF), N-Methylpyrrolidone (NMP) and gamma-Butyrolactone Many of the products within the Performance Specialties business function as performance additives that deliver high levels of end-user value in formulated products In other areas, such as plastics and textiles, Performance Specialties' products function as a processing aid, improving the quality of end products and reducing manufacturing costs

Specialty Ingredients operates throughout the Americas, Europe and Asia Pacific It has 26 manufacturing facilities in nine countries and participates in two joint ventures Specialty Ingredients has manufacturing facilities in Huntsville, Alabama, Wilmington, Delaware, Dalton, Georgia, Calvert City, Kentucky, Columbia, Maryland, Freetown, Massachusetts, Chatham and Parlin, New Jersey, Columbus and Lima, Ohio, Kenedy and Texas City, Texas and Hopewell, Virginia within the United States and Doel-Beveren, Belgium, Cabreuva, Brazil, Leaside, Canada, Jiangmen and Nanjing, China, Alizay and Sophia Antipolis, France, Horhausen, Marl and Memmingen, Germany, Zwijndrecht, the Netherlands and Newton Aycliffe and Poole, United Kingdom Specialty Ingredients also operates two production facilities through a joint venture in Luzhou and Suzhou, China

Specialty Ingredients markets and distributes its products and services directly and through third-party distributors in the Americas, Europe and Asia Pacific

ASHLAND WATER TECHNOLOGIES

Ashland Water Technologies (Water Technologies) is a leading specialty chemical supplier to the pulp, paper, mining, food and beverage, commercial and institutional industries, chemicals processing, general manufacturing and municipal wastewater-treatment Its process, utility and functional chemistries are used to improve operational efficiencies, enhance product quality, protect plant assets and minimize environmental impact To meet the diverse requirements of its customers, Water Technologies offers a range of services, including analytical and applications laboratories, customized program offerings and, through its StreamLink Specialty Chemicals service model, a focused-service approach Water Technologies is the number one global producer of specialty paper-making chemicals

Water Technologies' chemical product lines include biocides, cleaners, coagulants and flocculants, converting additives, corrosion inhibitors, defoamers, deposit and scale inhibitors, internal and surface size agents, membrane treatments, odor inhibitors and neutralizers, oxygen scavengers, pulp mill additives, retention, drainage and clarification aids, tissue-making additives, wet- and dry-strength additives, and wood adhesives

Water Technologies is comprised of the following product lines

Process Chemistries — Water Technologies manufactures and sells a broad array of process chemicals including deposit and scale control agents, defoamers, biocides, retention aids, frothers and collection aids, crepe and release additives and other process additives for markets including pulp and paper manufacturing, mining and extraction, food processing, power, oil refining, chemicals processing, and general manufacturing These products are designed to deliver benefits such as enhanced operational efficiencies, system cleanliness, and superior performance in a wide variety of manufacturing operations globally

Utility Chemistries — Utility Chemistries provides specialized chemicals and consulting services for the utility water treatment market, which includes boiler water, cooling water, fuel and waste streams for the pulp and paper, food and beverage, commercial and institutional, power, oil refining, chemicals processing, general manufacturing, and municipal waste-water treatment industries Water Technologies also manufactures and sells automated equipment, including performance-based feed and control systems, proprietary monitoring devices and remote system surveillance The utility products, services and equipment offerings are designed to protect plant assets and optimize energy, water and operational costs at customers' facilities

Functional Chemistries — Functional Chemistries produces specialized chemicals for the paper industry that impart specific properties such as strength, liquid holdout and printability to the final paper or board Markets include packaging, tissue and towel, and printing and writing Products and technologies include internal and surface sizing agents and wet/dry strength additives

Water Technologies operates throughout the Americas, Europe and Asia Pacific It has 31 manufacturing facilities in 18 countries and participates in two joint ventures Water Technologies has manufacturing plants in Macon and Savannah, Georgia, Chicopee, Massachusetts, Louisiana, Missouri, Greensboro, North Carolina, Portland, Oregon, Houston, Texas, Franklin, Virginia, Beckley, West Virginia and Milwaukee, Wisconsin within the United States and Chester Hill, Australia, Beringen, Belgium, Americana, Leme and Paulinia, Brazil, Burlington, Canada, Beijing and Shanghai, China, Somercotes, England, Tampere, Finland, Krefeld and Sobernheim, Germany, Perawang, Indonesia, Busnago, Italy, Mexico City, Mexico, Zwijndrecht, the Netherlands, Perm, Russia, Tarragona, Spain, Kim Cheon, South Korea, Helsingborg Sweden and Nantou, Taiwan Through separate joint ventures, it has production facilities in Navi Mumbai, India and Seoul, South Korea Water Technologies also utilizes third-party tolling manufacturers

Water Technologies markets and distributes its products and services directly and through third-party distributors in the Americas, Europe and Asia Pacific

ASHLAND PERFORMANCE MATERIALS

Ashland Performance Materials (Performance Materials) is a global producer of specialty resins and adhesives serving the construction, transportation, infrastructure, packaging and converting, marine and energy markets It is a global leader in unsaturated polyester and vinyl ester resins Performance Materials is also a major supplier of gelcoats, pressure-sensitive adhesives, structural adhesives, laminating adhesives and coatings, and elastomers In addition, through Performance Materials, Ashland holds a fifty percent joint venture interest in ASK Chemicals GmbH, a global supplier of chemicals and materials to the foundry industry For additional information regarding the global joint venture, see Note C of Notes to Consolidated Financial Statements in this annual report on Form 10-K

Performance Materials is comprised of the following businesses

Composites and Adhesives — The Composites and Adhesives business manufactures and sells a broad range of general-purpose and high-performance grades of unsaturated polyester and vinyl ester resins, gelcoats and low-profile additives for the reinforced plastics industry Key markets include the transportation, construction, marine and infrastructure end markets Performance Materials' composite products provide an array of functional properties including corrosion resistance, fire retardance, ultraviolet resistance, water and chemical resistance, high mechanical strength, impact and scratch resistance, and high strength-to-weight ratios

The Composites and Adhesives business also manufactures and sells adhesive solutions to the packaging and converting, building and construction, and transportation markets and manufactures and markets specialty coatings and adhesive solutions across multiple industries Key technologies and markets include acrylic polymers for pressure-sensitive adhesives, polyvinyl acetate emulsions, urethane adhesives for flexible packaging applications, aqueous and radiation-curable adhesives and specialty coatings for printing and converting applications, emulsion polymer isocyanate adhesives for structural wood bonding, elastomeric polymer adhesives and butyl rubber tapes for commercial roofing applications, acrylic, polyurethane and epoxy structural adhesives for bonding fiberglass reinforced plastics, composites, thermoplastics and metals in automotive, marine, recreational and industrial applications, specialty phenolic resins for paper impregnation and friction material bonding Performance Materials' adhesive products provide an array of functional properties including high-strength bonding, ease and speed of product assembly, heat and moisture resistance and design flexibility

Elastomers – The Elastomers business, acquired as part of the ISP transaction, is one of the largest suppliers in North America to the merchant market of high-quality styrene butadiene rubber (SBR) It provides raw materials used in the manufacture of tires, flooring, shoe soles, adhesives and sealants, automotive parts and industrial rubber goods With a variety of product grades, the Elastomers business supplies SBR to a wide array of manufacturers

Performance Materials operates throughout the Americas, Europe and Asia Pacific It has 26 manufacturing facilities in 10 countries Composites and Adhesives has manufacturing plants in Fort Smith and Jacksonville, Arkansas, Los Angeles, California, Bartow, Florida, Calumet City, Illinois, Elkton, Maryland, Ashland and Columbus, Ohio, White City, Oregon, Neville Island and Philadelphia, Pennsylvania, Piedmont, South Carolina, Neal, West Virginia and Oak Creek, Wisconsin within the United States and Arcariguama, Brazil, Kelowna, Canada, Changzhou and Kunshan, China, Kidderminster, England, Porvoo, Finland, Sauveterre, France, Miszewo, Poland, and Benicarló, Spain Elastomers has one manufacturing facility in Port Neches, Texas Performance Materials also provides toll manufacturing services to the ASK Chemicals GmbH joint venture through manufacturing facilities located in Changzhou, China, Kidderminster, England, Milan, Italy and Castro-Urdilales, Spain

Performance Materials markets and distributes its products directly and through third-party distributors in the Americas, Europe and Asia Pacific

ASHLAND CONSUMER MARKETS

Ashland Consumer Markets is a leading innovator and supplier of high-performance lubricants, automotive chemicals and appearance products, including those marketed under the Valvoline™ brands, and is an operator and franchisor of Valvoline Instant Oil Change™ centers Consumer Markets' Valvoline™ trademark was federally registered in 1873 and is the oldest trademark for lubricating oil in the United States Consumer Markets markets the following key brands of products and services to the private passenger car, light truck and heavy duty markets Valvoline lubricants, Valvoline Premium Blue™ commercial lubricants, MaxLife™ lubricant products for vehicles with 75,000 or more miles, NextGen™ motor oil made from 50 percent recycled oil, Valvoline Professional Series™ automotive chemicals, Pyroil™ automotive chemicals, Eagle One™ automotive appearance products, Car Brite™ automotive reconditioning products, MaxLife™ and Zerex™ antifreeze, Tectyl™ industrial products and Valvoline Instant Oil Change™ automotive services

Consumer Markets is comprised of the following businesses

Do It Yourself (DIY) — The DIY business sells Valvoline™ and other branded and private label products to consumers who perform their own auto maintenance These products are sold through retail auto parts stores such as AutoZone, O'Reilly's, Advance Auto Parts, mass merchandisers such as Wal-Mart Stores, Inc , and warehouse distributors and their affiliated jobber stores such as NAPA and CARQUEST

Installer Channels — The Installer Channels business sells branded products and services to installers (such as car dealers, general repair shops and quick lubes) and to auto auctions through a network of independent distributors and company-owned and operated "direct market" operations This business also sells to national accounts such as Goodyear, Monro and Sears In addition, this business includes distribution to quick lubes branded "Valvoline Express Care™," which consists of 333 independently-owned and operated stores

Valvoline Instant Oil Change (VIOC) — The Valvoline Instant Oil Change™ chain is the second largest franchise competitor in the U S "fast oil change" service business, providing Consumer Markets with a significant presence in the installer channels segment of the passenger car and light truck motor oil market As of September 30, 2011, 260 company-owned and 604 independently-owned and operated franchise VIOC centers were operating in 41 states VIOC centers offer customers an innovative computer-based preventive maintenance tracking system that allows service technicians to make service recommendations based primarily on manufacturers' recommendations

Commercial & Industrial (C&I) — The C&I business sells branded products and services to on-highway fleets, construction companies and original equipment manufacturers (OEMs) through company-owned and operated "direct market" operations, national accounts and a network of distributors The C&I business also maintains a strategic alliance with Cummins Inc (Cummins) to distribute heavy duty lubricants to the commercial market, as well as smaller alliances with other global OEMs

Valvoline International — Outside of North America, Valvoline International markets Valvoline™, Eagle One™, Zerex™ and other branded products through wholly-owned affiliates, joint ventures, licensees and independent distributors in 129 countries Valvoline International operates joint ventures with Cummins in Argentina, Brazil, China and India In addition, Valvoline International operates joint ventures with local entities in Ecuador, Thailand and Venezuela Valvoline International markets products for both consumer and commercial vehicles and equipment and is served by company-owned plants in the United States, Australia and the Netherlands and by numerous third-party warehouses and toll manufacturers throughout the world

Consumer Markets operates lubricant blending and packaging plants in Santa Fe Springs, California, Cincinnati, Ohio, East Rochester, Pennsylvania and Deer Park, Texas within the United States and Wetherill Park, Australia and Dordrecht, the Netherlands Automotive chemical manufacturing and distribution is conducted in Hernando, Mississippi Bulk blending and distribution facilities are located in College Park, Georgia, Willow Springs, Illinois and St Louis, Missouri within the United States and Mississauga, Canada Distribution operations are conducted from centers located in College

Park, Georgia, Willow Springs, Illinois, Indianapolis, Indiana, St Louis, Missouri, Cincinnati, Ohio and East Rochester, Pennsylvania within the United States and through owned facilities in Dordrecht, the Netherlands and Birkenhead, United Kingdom and leased facilities in Adelaide, Melbourne, New Castle, Perth and Sydney, Australia

Additives (from key suppliers such as The Lubrizol Corporation) and base oils (from key suppliers such as Motiva Enterprises LLC and SK E&P Company) constitute a large portion of the raw materials required to manufacture Consumer Markets' products In addition to raw materials, Consumer Markets sources a significant portion of its packaging from key suppliers such as Graham Packaging Inc

MISCELLANEOUS

Environmental Matters

Ashland has implemented a companywide environmental policy overseen by the Environmental, Health and Safety Committee of Ashland's Board of Directors Ashland's Environmental, Health and Safety (EH&S) department has the responsibility to ensure that Ashland's businesses worldwide maintain environmental compliance in accordance with applicable laws and regulations This responsibility is carried out via training, widespread communication of EH&S policies, information and regulatory updates, formulation of relevant policies, procedures and work practices, design and implementation of EH&S management systems, internal auditing by an independent auditing group, monitoring of legislative and regulatory developments that may affect Ashland's operations, assistance to the businesses in identifying compliance issues and opportunities for voluntary actions that go beyond compliance, and incident response planning and implementation

Federal, state and local laws and regulations relating to the protection of the environment have a significant impact on how Ashland conducts its businesses Ashland's operations outside the United States are subject to the environmental laws of the countries in which they are located These laws include regulation of air emissions and water discharges, waste handling, remediation and product inventory, registration and regulation New laws and regulations may be enacted or adopted by various regulatory agencies globally The costs of compliance with any new laws or regulations cannot be estimated until the manner in which they will be implemented has been more precisely defined

At September 30, 2011, Ashland's reserves for environmental remediation amounted to $246 million, reflecting Ashland's estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries Engineering studies and probability techniques are used, along with historical experience and other factors, to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the costs Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites Although it is not possible to predict with certainty the ultimate costs of environmental remediation, Ashland currently estimates that the upper end of the reasonably possible range of future costs for identified sites is approximately $390 million Ashland does not believe that any current individual remediation location is material to Ashland, as its largest reserve for any site is less than 10% of the remediation reserve Ashland regularly adjusts its reserves as environmental remediation continues Environmental remediation expense, net of insurance receivables, amounted to $36 million in 2011, compared to $22 million in 2010 and $13 million in 2009

Product Control, Registration and Inventory — Many of Ashland's products and operations are subject to chemical control laws of the countries in which they are located These laws include regulation of chemical substances and inventories under the Toxic Substances Control Act (TSCA) in the United States and Registration, Evaluation and Authorisation of Chemicals (REACH) in Europe Under REACH additional testing requirements, documentation, risk assessments and registrations are occurring and will continue to occur and may adversely affect Ashland's costs of products produced in or imported into the European Union Examples of other product control regulations include right to know laws under the Global Harmonized System (GHS) for hazard communication, regulation of biocides under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) in the United States, the Biocidal Products Directive (BPD) in Europe, regulation of chemicals that contact food under the Food, Drug and Cosmetics Act in the United States, the Framework Regulation in Europe and other product control requirements for chemical weapons, drug procurers and import/export New laws and regulations may be enacted or adopted by various regulatory agencies globally The costs of compliance with any new laws or regulations cannot be estimated until the manner in which they will be implemented has been more precisely defined

Remediation — Ashland currently operates, and in the past has operated, various facilities at which, during the normal course of business, releases of hazardous substances have occurred Additionally, Ashland has known or alleged potential environmental liabilities at a number of third-party sites Federal and state laws, including but not limited to the Resource Conservation and Recovery Act (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of

1980 (CERCLA) and various other remediation laws, require that contamination caused by hazardous substance releases be assessed and, if necessary, remediated to meet applicable standards Some of these laws also provide for liability for related damage to natural resources, and claims for alleged property and personal injury damage can also arise related to contaminated sites Laws in other jurisdictions in which Ashland operates require that contamination caused by such releases at these sites be assessed and, if necessary, remediated to meet applicable standards

Air — In the United States, the Clean Air Act (CAA) imposes stringent limits on facility air emissions, establishes a federally mandated operating permit program, allows for civil and criminal enforcement actions and sets limits on the volatile or toxic content of many types of industrial materials and consumer products The CAA establishes national ambient air quality standards (NAAQS) with attainment deadlines and control requirements based on the severity of air pollution in a given geographical area Various state clean air acts implement, complement and, in many instances, add to the requirements of the federal CAA The requirements of the CAA and its state counterparts have a significant impact on the daily operation of Ashland's businesses and, in many cases, on product formulation and other long-term business decisions Other countries where Ashland operates also have laws and regulations relating to air quality Ashland's businesses maintain numerous permits and emission control devices pursuant to these clean air laws

The United States Environmental Protection Agency (USEPA) has increased its frequency in reviewing the NAAQS In 2006, 2008 and 2009, the USEPA established newer and more stringent standards for particulate matter, ozone and sulfur dioxide, respectively State and local agencies are beginning to implement options for meeting these newest standards, which should all be in place by 2013 Particulate matter strategies include dust control measures for construction sites and reductions in emission rates allowed for industrial operations Options for ozone include emission controls for certain types of sources, reduced limits on the volatile organic compound content of industrial materials and consumer products, and requirements on the transportation sector Most options for sulfur dioxide focus on coal and diesel fuel combustion sources It is not possible at this time to estimate the potential financial impact that these newest standards may have on Ashland's operations or products Ashland will continue to monitor and evaluate these standards to meet these and all air quality requirements

Solid Waste — Ashland's businesses are subject to various laws relating to and establishing standards for the management of hazardous and solid waste In the United States, Ashland's facilities are subject to RCRA and its regulations governing generators of hazardous waste Ashland has implemented systems to oversee compliance with the RCRA regulations In addition to regulating current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the storage of regulated substances in underground tanks Ashland has or has retained the remediation liability for certain facilities subject to these regulations Other countries where Ashland operates also have laws and regulations relating to hazardous and solid waste, and Ashland has systems in place to oversee compliance

Water — Ashland's businesses maintain numerous discharge permits In the United States, such permits may be required by the National Pollutant Discharge Elimination System of the Clean Water Act and similar state programs Other countries have similar laws and regulations requiring permits and controls relating to water discharge

Climate Change and Related Regulatory Developments — Ashland has been collecting energy use data and calculating greenhouse gas (GHG) emissions for many years For the past few years, Ashland has been evaluating the potential impacts from both climate change and the anticipated GHG regulations to facilities, products and other business interests, as well as the strategies commonly considered by the industrial sector to reduce the potential impact of these risks These risks are generally grouped as impacts from legislative, regulatory and international developments, impacts from business and investment trends, and impacts to company assets from the physical effects of climate change Current North American, European, and other regional regulatory developments are not expected to have a material effect on Ashland's operations, although some facilities are subject to promulgated rules Business and investment trends are expected to drive an increase in the demand for products that improve energy efficiency, reduce energy use and increase the use of renewable resources At this time, Ashland cannot estimate the impact of this expected demand increase to its businesses Physical effects from climate change have the potential to affect Ashland's assets in areas prone to sea level rise or extreme weather events much as they do the general public and other businesses Due to the uncertainty of these matters, Ashland cannot estimate the impact at this time of GHG-related developments on its operations or financial condition

Competition

Specialty Ingredients, Water Technologies and Performance Materials compete in the highly fragmented specialty chemicals industry The participants in the industry offer a varied and broad array of product lines designed to meet specific customer requirements Participants compete with individual and service product offerings on a global, regional and/or local level subject to the nature of the businesses and products, as well as the end-markets and customers served Competition is based on several key criteria, including product performance and quality, product price, product availability and security of supply, responsiveness of product development in cooperation with customers and customer service Certain key competitors are significantly larger than Ashland and have greater financial resources, leading to greater operating and financial flexibility The industry has become increasingly global as participants have focused on establishing and maintaining leadership positions outside of their home markets Many of these segments' product lines face domestic and international competitive factors, including industry consolidation, pricing pressures and competing technologies

Consumer Markets competes in the highly competitive automotive lubricants and consumer products car care businesses, principally through its offerings of premium products and services primarily under the Valvoline™ family of trademarks, coupled with strong brand marketing, customer support and distribution capabilities Some of the major brands of motor oils and lubricants with which Consumer Markets competes globally are Castrol[†], Mobil[†] and Pennzoil[†] In the "fast oil change" business, Consumer Markets competes with other leading independent fast lube chains on a national, regional or local basis, as well as automobile dealers and service stations Important competitive factors for Consumer Markets in the "fast oil change" market include Valvoline's brand recognition, maintaining market presence through Valvoline Instant Oil Change™ and Valvoline Express Care™ outlets, and quality and speed of service, location, convenience and sales promotions

Intellectual Property

Ashland has a broad intellectual property portfolio which is an important component of all of Ashland's business segments In particular, Ashland's Specialty Ingredients, Water Technologies and Performance Materials segments rely on patents, trade secrets, formulae and know-how to protect and differentiate their products and technologies In addition, these business segments own valuable trademarks which identify and differentiate Ashland's products from its competitors The Valvoline™ trademark and other trademarks related to Valvoline products and franchises are of particular importance to the Consumer Markets segment and the overall Ashland business Ashland also licenses intellectual property rights from third-parties

Raw Materials

All of Ashland's business segments were negatively impacted to varying degrees in fiscal 2011 by rising and volatile raw materials costs, and these conditions may continue in fiscal 2012 Ashland purchases its raw materials from multiple sources of supply in the United States and foreign countries, and believes that raw material supplies will be available in quantities sufficient to meet demand in fiscal 2012

Research and Development

Ashland conducts a program of market-focused research and development to understand the needs of the marketplace, to frame those needs in a platform in which Ashland has capability to deliver, and to determine how to develop or access the intellectual property required to meet the identified market needs Ashland has focused on developing new chemistries, market-changing technologies and customer driven solutions at numerous technology centers located in the Americas, Europe and the Asia Pacific region Research and development costs are expensed as they are incurred and totaled $89 million in 2011 ($86 million in 2010 and $96 million in 2009)

Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 These forward-looking statements are not historical facts and generally are identified by words such as "anticipates," "believes," "estimates," "expects," "is likely," "predicts," and variations of such words and similar expressions Although Ashland believes that its expectations are based on reasonable assumptions, such expectations are subject to risks and uncertainties that are difficult to predict and may be beyond Ashland's control As a result, Ashland cannot assure that the expectations contained in such statements will be achieved Important factors that could cause actual results to differ materially from those contained in such statements are discussed under "Use of estimates, risks and uncertainties" in Note A of Notes to Consolidated Financial Statements in this annual report on Form 10-K For a discussion of other factors and risks that could affect Ashland's expectations and operations, see "Item 1A Risk Factors" in this annual report on Form 10-K

ITEM 1A. RISK FACTORS

The following discussion of "risk factors" identifies the most significant factors that may adversely affect Ashland's business, operations, financial position or future financial performance This information should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and related notes incorporated by reference into this annual report on Form 10-K The following discussion of risks is designed to highlight what Ashland believes are important factors to consider when evaluating its expectations These factors could cause future results to differ from those in forward-looking statements and from historical trends

Several of Ashland's businesses are cyclical in nature, and economic downturns or declines in demand, particularly for certain durable goods, may negatively impact its revenues and profitability.

The revenues and profitability of several of Ashland's businesses are susceptible to downturns in the economy, particularly in those segments serving the housing, construction, automotive and paper industries Both overall demand for Ashland's products and services and its profitability are affected by economic recession, inflation, changes in prices of raw materials (including many hydrocarbon derivatives, wood pulp and cotton linters) or changes in governmental monetary or fiscal policies During the recent economic downturn, a number of Ashland's customers in the construction, automotive, paper and certain other industries experienced financial and production stresses, which led to decreased demand for certain of Ashland's products and has affected Ashland's margins on certain products sold Demand for Ashland's products by many of these customers has not returned to pre-downturn levels, and may not While Ashland strives to reduce costs to help offset the effects of this decreased demand, there is no assurance Ashland will be able to manage costs in light of any further demand decreases If another economic downturn occurs, the economic recovery is slower than expected or there is a significant decline in customer demand, Ashland's business, results of operations, financial condition and ability to grow could be negatively impacted

The competitive nature of Ashland's markets may delay or prevent the Company from passing increases in raw materials costs on to its customers. In addition, certain of Ashland's suppliers may be unable to deliver products or raw materials or may withdraw from contractual arrangements. The occurrence of either event could adversely affect Ashland's results of operations

Rising and volatile raw material prices, especially those of hydrocarbon derivatives, cotton linters or wood pulp, may negatively impact Ashland's costs Similarly, energy costs are a significant component of certain of Ashland's product costs Ashland is not always able to raise prices in response to such increased costs, and its ability to pass on the costs of such price increases is dependent upon market conditions

Likewise, Ashland purchases certain products and raw materials from suppliers, often pursuant to written supply contracts If those suppliers are unable to timely meet Ashland's orders or choose to terminate or otherwise avoid contractual arrangements, Ashland may not be able to make alternative supply arrangements Also, domestic and global government regulations related to the manufacture or transport of certain raw materials may impede Ashland's ability to obtain those raw materials on commercially reasonable terms If Ashland is unable to obtain and retain qualified suppliers under commercially acceptable terms, its ability to manufacture and deliver products in a timely, competitive and profitable manner or grow its business successfully could be adversely affected

Ashland faces competition from other companies, which places downward pressure on prices and margins and may otherwise adversely affect Ashland's business

Ashland operates in highly competitive markets, competing against a number of domestic and foreign companies Competition is based on several key criteria, including product performance and quality, product price, product availability and security of supply, responsiveness of product development in cooperation with customers and customer service, as well as the ability to bring innovative products or services to the marketplace Certain key competitors are significantly larger than Ashland and have greater financial resources, leading to greater operating and financial flexibility As a result, these competitors may be better able to withstand changes in conditions within the relevant industry, changes in the prices of raw materials and energy and changes in general economic conditions In addition, competitors' pricing decisions could compel Ashland to decrease its prices, which could negatively affect its margins and profitability Also, additional competition in markets served by Ashland could adversely affect margins and profitability and could lead to a reduction in market share

Ashland may not realize the anticipated benefits of the ISP acquisition.

Ashland's ability to realize the anticipated benefits of the ISP acquisition will depend, in part, on its ability to integrate the businesses of ISP successfully and efficiently with Ashland's businesses The combination of two independent companies is a complex, costly and time-consuming process As a result, the combined company will be required to devote significant management attention and resources to integrating ISP's operations and employees with those of Ashland For example, because ISP is a privately-held company, Ashland may need to implement additional systems and controls to bring ISP into conformance with public company standards In addition, ISP does not utilize an SAP™ enterprise resource planning system (ERP), and Ashland will accordingly need to devote significant resources to convert ISP to Ashland's ERP platform The failure of the combined company to meet the challenges involved in integration or otherwise to realize any of the anticipated benefits of the ISP acquisition could cause an interruption of, or a loss of momentum in, the activities of the combined company and could adversely affect Ashland's business or results of operations In addition, the overall integration of the two companies may result in unanticipated problems, expenses, liabilities, competitive responses, loss of customer and other relationships, and diversion of management's attention, any of which could negatively impact Ashland's results of operations

In addition, even if ISP's operations and employees are integrated successfully with Ashland, the combined company may not realize the full benefits of the acquisition, including the expected sales and growth opportunities, synergies and cost savings Such benefits may not be achieved within the anticipated time frame or at all

Ashland's substantial global operations subject it to risks of doing business in foreign countries, which could adversely affect its business, financial condition and results of operations.

Nearly one half of Ashland's net sales for fiscal 2012 is expected to be to customers outside of North America Ashland expects sales from international markets to continue to represent an even larger portion of the Company's net sales in the future Ashland has approximately 55 manufacturing facilities located outside of the United States Accordingly, Ashland's business is subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions

The global nature of Ashland's business presents difficulties in hiring and maintaining a workforce in certain countries. Fluctuations in exchange rates may affect product demand and may adversely affect the profitability in U S dollars of products and services provided in foreign countries In addition, foreign countries may impose additional withholding taxes or otherwise tax Ashland's foreign income, or adopt other restrictions on foreign trade or investment, including currency exchange controls The imposition of tariffs is also a risk that could impair Ashland's financial performance

Certain legal and political risks are also inherent in the operation of a company with Ashland's global scope For example, it may be more difficult for Ashland to enforce its agreements or collect receivables through foreign legal systems There is a risk that foreign governments may nationalize private enterprises in certain countries where Ashland operates In certain countries or regions, terrorist activities and the response to such activities may threaten Ashland's operations more than in those in the United States Also, changes in general economic and political conditions in countries where Ashland operates, particularly in emerging markets, are a risk to Ashland's financial performance

As Ashland continues to operate its business globally, its success will depend, in part, on its ability to anticipate and effectively manage these and other related risks There can be no assurance that the consequences of these and other factors relating to its multinational operations will not have an adverse effect on Ashland's business, financial condition and results of operations

Changes in laws or regulations or the manner of their interpretation or enforcement could adversely impact Ashland's financial performance and restrict its ability to operate its business or execute its strategies.

New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase Ashland's cost of doing business and restrict its ability to operate its business or execute its strategies This includes, among other things, the possible taxation under U S law of certain income from foreign operations, regulations issued by the U S Food and Drug Administration affecting Ashland and its customers, compliance costs and enforcement under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and costs associated with complying with the Patient Protection and Affordable Care Act of 2010 and the regulations promulgated thereunder

Business disruptions could seriously harm Ashland's operations and financial performance.

Business disruptions, including those related to natural disasters, severe weather conditions, supply disruptions, increasing costs for energy, temporary plant and/or power outages, information technology systems and network disruptions, terrorist attacks, armed conflict, war, pandemic diseases or other catastrophic events, could seriously harm Ashland's operations, as well as the operations of its customers and suppliers, and adversely impact Ashland's financial performance Although it is impossible to predict the occurrence or consequences of any such events, they could result in reduced demand for Ashland's products, make it difficult or impossible for Ashland to manufacture its products or deliver products and services to its customers or to receive raw materials from suppliers, or create delays and inefficiencies in the supply chain

While Ashland maintains business continuity plans that are intended to allow it to continue operations or mitigate the effect of events that could disrupt its business, Ashland cannot provide assurances that its plans would fully protect it from all such events In addition, insurance maintained by Ashland to protect against loss of business and other related consequences resulting from business disruptions is subject to coverage limitations, depending on the nature of the risk insured This insurance may not be sufficient to cover all of Ashland's damages or damages to others in the event Ashland's business is disrupted In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates

Ashland's success depends upon its ability to attract and retain key employees and the identification and development of talent to succeed senior management.

Ashland's success depends on its ability to attract and retain key personnel, and Ashland relies heavily on its management team The inability to recruit and retain key personnel or the unexpected loss of key personnel may adversely affect Ashland's operations Also, approximately one-third of Ashland's U S based employees will be retirement-eligible within the next five years, which increases the risk that key employees could leave the Company This risk of unwanted employee turnover is enhanced in developing markets which Ashland has targeted for growth, especially in Asia, South America and Eastern Europe In addition, because of its reliance on its management team, Ashland's future success depends, in part, on its ability to identify and develop talent to succeed its senior management The retention of key personnel and appropriate senior management succession planning will continue to be critical to the successful implementation of Ashland's strategies

Ashland is responsible for, and has financial exposure to, liabilities from pending and threatened claims, including those alleging personal injury caused by exposure to asbestos, which reduce Ashland's cash flows and could reduce profitability.

There are various claims, lawsuits and administrative proceedings pending or threatened, including those alleging personal injury caused by exposure to asbestos, against Ashland and its current and former subsidiaries Such actions are with respect to commercial matters, product liability, toxic tort liability and other matters that seek remedies or damages, some of which are for substantial amounts While these actions are being contested, their outcome is not predictable Ashland's businesses could be adversely affected by financial exposure to these liabilities Insurance maintained by Ashland to protect against claims for damages alleged by third parties is subject to coverage limitations, depending on the nature of the risk insured This insurance may not be sufficient to cover all of Ashland's liabilities to others In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens In light of these inherent uncertainties, Ashland believes that its asbestos reserves represent the best estimate within a range of possible outcomes As a part of the process to develop these estimates of future asbestos costs, a range of long-term cost models was developed These models are based on national studies that predict the number of people likely to develop asbestos-related diseases and are heavily influenced by assumptions regarding long-term inflation rates for indemnity payments and legal defense costs, as well as other variables mentioned previously Because of the inherent uncertainties in projecting future asbestos liabilities and establishing appropriate reserves, Ashland's actual asbestos costs may exceed its reserves, which could adversely affect its profitability and financial performance

Ashland has incurred, and may continue to incur, substantial operating costs and capital expenditures as a result of environmental, health and safety, and hazardous substances liabilities and requirements, which could reduce Ashland's profitability.

Ashland is subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and human health and safety, and the generation, storage, handling, treatment, disposal and remediation of hazardous substances and waste materials Ashland has incurred, and will continue to incur, significant costs and capital expenditures to comply with these laws and regulations

Environmental, health and safety regulations change frequently, and such regulations and their enforcement have tended to become more stringent over time Accordingly, changes in environmental, health and safety laws and regulations and the enforcement of such laws and regulations could interrupt Ashland's operations, require modifications to its facilities or cause Ashland to incur significant liabilities, costs or losses that could adversely affect its profitability Actual or alleged violations of environmental, health or safety laws and regulations could result in restrictions or prohibitions on plant operations as well as substantial damages, penalties, fines, civil or criminal sanctions and remediation costs In addition, under some environmental laws, Ashland may be strictly liable and/or jointly and severally liable for environmental damages and penalties

Ashland is also subject to various federal, state, local and foreign environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations Ashland uses engineering studies, historical experience and other factors to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the applicable costs Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology and the number and financial strength of other potentially responsible parties at multiparty sites As a result, Ashland's actual costs for environmental remediation could exceed its reserves and, therefore, adversely affect Ashland's financial performance

Ashland's pension and postretirement benefit plan obligations are currently underfunded, and Ashland may have to make significant cash payments to some or all of these plans, which would reduce the cash available for Ashland's businesses.

Ashland has unfunded obligations under its domestic and foreign pension and postretirement benefit plans The funded status of Ashland's pension plans is dependent upon many factors, including returns on invested assets, the level of certain market interest rates and the discount rate used to determine pension obligations Unfavorable returns on the plan assets or unfavorable changes in applicable laws or regulations could materially change the timing and amount of required plan funding, which would reduce the cash available for Ashland's businesses In addition, a decrease in the discount rate used to determine pension obligations could result in an increase in the valuation of pension obligations, which could affect the reported funding status of Ashland's pension plans and future contributions, as well as the periodic pension cost in subsequent fiscal years

Under the Employee Retirement Income Security Act of 1974, as amended, or ERISA, the Pension Benefit Guaranty Corporation, or PBGC, has the authority to terminate an underfunded tax-qualified pension plan under limited circumstances In the event Ashland's tax-qualified pension plans are terminated by the PBGC, Ashland could be liable to the PBGC for some portion of the underfunded amount

Ashland's substantial indebtedness may adversely affect its business, results of operations and financial condition, and Ashland's restrictive debt covenants may affect its ability to successfully operate its businesses.

As a result of the acquisitions of ISP and Hercules Incorporated, Ashland incurred a substantial amount of debt Ashland's substantial indebtedness could adversely affect its business, results of operations and financial condition by, among other things

- requiring Ashland to dedicate a substantial portion of its cash flow from operations to pay principal and interest on its debt, which would reduce the availability of Ashland's cash flow to fund working capital, capital expenditures, acquisitions, execution of its growth strategy and other general corporate purposes,
- limiting Ashland's ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, execution of its growth strategy and other purposes,
- making Ashland more vulnerable to adverse changes in general economic, industry and regulatory conditions and in its business by limiting Ashland's flexibility in planning for, and making it more difficult for Ashland to react quickly to, changing conditions,
- placing Ashland at a competitive disadvantage compared with those of its competitors that have less debt and lower debt service requirements,
- making Ashland more vulnerable to increases in interest rates since some of its indebtedness is subject to variable rates of interest, and
- making it more difficult for Ashland to satisfy its financial obligations

In addition, Ashland may not be able to generate sufficient cash flow from its operations to repay its indebtedness when it becomes due and to meet its other cash needs If Ashland is not able to pay its debts as they become due, it could be in default under its credit facility or other indebtedness Ashland might also be required to pursue one or more alternative strategies to repay indebtedness, such as selling assets, refinancing or restructuring its indebtedness or selling additional debt or equity securities Ashland may not be able to refinance its debt or sell additional debt or equity securities or its assets on favorable terms, if at all, and if Ashland must sell its assets, it may negatively affect its ability to generate revenues

Ashland's debt facilities contain various covenants that limit its ability to, among other things grant liens, incur additional indebtedness, provide guarantees, engage in mergers and acquisitions, sell, transfer and otherwise dispose of property and assets, make loans, invest in joint ventures and other investments, declare dividends, make distributions or redeem or repurchase capital stock, change the nature of Ashland's business, and enter into transactions with its affiliates In addition, Ashland is required to maintain specified financial ratios and satisfy certain financial condition tests specified in its senior credit facility If Ashland does not adhere to these covenants, the lenders may have the right to declare a default and could require immediate payment of all debts outstanding or seek other remedies available to them under the debt facilities

Ashland may not be able to effectively protect or enforce its intellectual property rights.

Ashland relies on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect its intellectual property rights The laws of some countries may not protect Ashland's intellectual property rights to the same extent as the laws of the United States Failure of foreign countries to have laws to protect Ashland's intellectual property rights or an inability to effectively enforce such rights in foreign countries could result in the loss of valuable proprietary information, which could have an adverse effect on Ashland's business and results of operations

Even in circumstances where Ashland has a patent on certain technologies, such patents may not provide meaningful protection against competitors or against competing technologies In addition, any patent applications submitted by Ashland may not result in an issued patent There can be no assurance that Ashland's intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable Ashland could also face claims from third parties alleging that Ashland's products or processes infringe on their proprietary rights If Ashland is found liable for infringement, it could be responsible for significant damages, prohibited from using certain products or processes or required to modify certain products and processes Any such infringement liability could adversely affect Ashland's product and service offerings, profitability and results of operations

Ashland also protects its know-how and trade secrets by entering into confidentiality and non-disclosure agreements with most of its employees and third parties There can be no assurance that such agreements will not be breached or that Ashland will be able to effectively enforce them Any unauthorized disclosure of any of Ashland's material know-how or trade secrets could adversely affect Ashland's business and results of operations

Ashland's business exposes it to potential product liability claims and recalls, which could adversely affect its financial condition and performance.

The development, manufacture and sale of specialty chemical products by Ashland, including products produced as food ingredients or with pharmaceutical and nutritional supplement applications, involve an inherent risk of exposure to product liability claims, product recalls, product seizures and related adverse publicity A product liability claim or judgment against Ashland could also result in substantial and unexpected expenditures, affect consumer or customer confidence in its products, and divert management's attention from other responsibilities Although Ashland maintains product liability insurance, there can be no assurance that this type or the level of coverage is adequate or that Ashland will be able to continue to maintain its existing insurance or obtain comparable insurance at a reasonable cost, if at all A product recall or a partially or completely uninsured judgment against Ashland could have a material adverse effect on its results of operations and financial condition

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Ashland's corporate headquarters is located in Covington, Kentucky Principal offices of other major operations are located in Wilmington, Delaware (Specialty Ingredients and Water Technologies), Wayne, New Jersey (Specialty Ingredients), Dublin, Ohio (Performance Materials), Lexington, Kentucky (Consumer Markets), and Barendrecht, the Netherlands, Shanghai, China, Hyderabad, India and Schaffhausen and Zug, Switzerland (shared service centers of Ashland's business segments) All of these offices are leased, except for portions of the Dublin, Ohio facilities that are owned Principal manufacturing, marketing and other materially important physical properties of Ashland and its subsidiaries are described within the appropriate business segment under "Item 1" in this annual report on Form 10-K All of Ashland's physical properties are owned or leased Ashland believes its physical properties are suitable and adequate for the Company's business Additional information concerning certain leases may be found in Note K of Notes to Consolidated Financial Statements in this annual report on Form 10-K

ITEM 3. LEGAL PROCEEDINGS

The following is a description of Ashland's material legal proceedings

Asbestos-Related Litigation

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos Such claims result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley), a former subsidiary Although Riley was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies

Hercules, a wholly-owned subsidiary of Ashland, is also subject to liabilities from asbestos related personal injury lawsuits involving claims which typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products which were sold by one of Hercules' former subsidiaries to a limited industrial market.

Ashland and Hercules are also defendants in lawsuits alleging exposure to asbestos at facilities formerly or presently owned or operated by Ashland or Hercules.

For additional detailed information regarding liabilities arising from asbestos-related litigation, see "Management's Discussion and Analysis – Application of Critical Accounting Policies – Asbestos litigation" and Note N of Notes to Consolidated Financial Statements in this annual report on Form 10-K.

Environmental Proceedings

(1) CERCLA and Similar State Law Sites – Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state laws, Ashland and its subsidiaries may be subject to joint and several liability for cleanup costs in connection with alleged releases of hazardous substances at sites where it has been identified as a "potentially responsible party" (PRP). As of September 30, 2011, Ashland and its subsidiaries have been identified as a PRP by U.S. federal and state authorities, or by private parties seeking contribution, for the cost of environmental investigation and/or cleanup at 95 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the United States Environmental Protection Agency (USEPA) or a state agency, in which Ashland or its subsidiaries are typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site cleanup and administrative oversight and/or long-term monitoring of environmental conditions at the sites. The ultimate costs are not predictable with assurance.

(2) Franklin, Virginia Multi-Media Environmental Compliance Inspection – In April 2005, Hercules' Franklin, Virginia manufacturing facilities were subject to a multi-media environmental compliance inspection by the USEPA and the Virginia Department of Environmental Quality (VADEQ). In April 2008, the results of the inspection were provided to Hercules. The inspection identified areas of potential noncompliance with various environmental regulations. Hercules and another defendant reached a final settlement with the USEPA in September 2011 pursuant to which they agreed to pay a civil penalty in the aggregate amount of $700,000. Court approval of the settlement was received in October 2011.

(3) Hopewell, Virginia Clean Air Act Compliance Inspection – In April 2007, Hercules' Hopewell, Virginia manufacturing facilities were subject to a Clean Air Act (CAA) compliance inspection by the USEPA and the VADEQ. In April 2008, the results of the inspection were provided to Hercules. The inspection uncovered areas of potential noncompliance with air emissions regulations. In March 2011, Hercules received from the USEPA a proposed consent decree which included certain remedial actions and a proposed penalty assessment in excess of $100,000. Hercules is engaged in negotiations with the USEPA and the VADEQ concerning this matter. While it is reasonable to believe that this matter could potentially involve penalties exceeding $100,000, the potential liability with respect to this matter should not be material to Ashland.

(4) Hattiesburg, Mississippi Resource Conservation and Recovery Act Matter – In November 2008, the Mississippi Department of Environmental Quality (MDEQ) issued a Notice of Violation to Hercules' now-closed Hattiesburg, Mississippi manufacturing facility alleging that a storm water retention basin at the facility had been operated as a hazardous waste storage and treatment facility without a permit in violation of the Resource Conservation and Recovery Act. Ashland has been working with the MDEQ to settle this matter in the context of the shutdown and ongoing remediation of the Hattiesburg facility. The MDEQ proposed a settlement penalty in excess of $100,000. In May 2011, the USEPA issued an inspection report from a September 2010 inspection with allegations similar to those of the MDEQ and promulgated an information request. While it is reasonable to believe that this matter will involve a penalty from the MDEQ and/or the USEPA exceeding $100,000, the potential liability with respect to this matter should not be material to Ashland.

(5) Louisiana, Missouri Air Inspection and Penalty Assessment – In 2007, the USEPA conducted an inspection of Hercules' Louisiana, Missouri production facility for compliance with the CAA's Leak Detection and Repair regulations. Hercules subsequently provided additional information to the USEPA in response to matters identified during the inspection close-out meeting. The USEPA and Hercules entered into a final order pursuant to which Hercules was assessed a penalty of $245,500. The court approved the final order in September 2011.

For additional information regarding environmental matters and reserves, see "Management's Discussion and Analysis – Application of Critical Accounting Policies – Environmental remediation and asset retirement obligations" and Note N of Notes to Consolidated Financial Statements in this annual report on Form 10-K.

Other Pending Legal Proceedings

In addition to the matters described, there are various claims, lawsuits and administrative proceedings pending or threatened against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability, environmental and other matters that seek remedies or damages, some of which are for substantial amounts While these actions are being contested, their outcome is not predictable with assurance

ITEM 4. (REMOVED AND RESERVED)

ITEM X. EXECUTIVE OFFICERS OF ASHLAND

The following is a list of Ashland's executive officers, their ages and their positions and offices during the last five years (listed alphabetically after the Chief Executive Officer and the current members of Ashland's Executive Committee)

JAMES J O'BRIEN (age 57) is Chairman of the Board, Chief Executive Officer and a Director of Ashland and has served in such capacities since 2002

LAMAR M CHAMBERS (age 57) is Senior Vice President and Chief Financial Officer of Ashland and has served in such capacities since 2008 During the past five years, he has also served as Vice President and Controller of Ashland

PETER J GANZ (age 49) is Senior Vice President and General Counsel of Ashland and has served in such capacities since July 2011 During the past five years, he has also served as a partner with Sedgwick LLP and as Executive Vice President, General Counsel and Secretary of Foster Wheeler AG

DAVID L HAUSRATH (age 59) is Senior Vice President of Ashland and has served in such capacity since 2004 During the past five years, he has also served as General Counsel of Ashland until July 2011 As previously announced, Mr Hausrath has elected to retire from Ashland effective December 1, 2011

SUSAN B ESLER (age 50) is Vice President and Chief Human Resources and Communications Officer of Ashland and has served in such capacities since 2006 and July 2011, respectively During the past five years, she has also served as Vice President, Human Resources and Communications of Ashland

THEODORE L HARRIS (age 46) is Senior Vice President of Ashland, President, Global Supply Chain, and President of Performance Materials and has served in such capacities since July 2011, 2008 and 2009, respectively During the past five years, he has also served as Vice President of Ashland, President of Environmental, Health and Safety and Information Technology, President of Ashland Distribution and General Manager of the Composite Polymers Division of Ashland

J WILLIAM HEITMAN (age 57) is Vice President and Controller of Ashland and has served in such capacities since 2008 During the past five years, he has also served as Controller of the North American Operations of The Goodyear Tire & Rubber Company

SAMUEL J MITCHELL, JR (age 50) is Senior Vice President of Ashland and President of Consumer Markets and has served in such capacities since July 2011 and 2002, respectively During the past five years, he has also served as Vice President of Ashland

JOHN E PANICHELLA (age 52) is Senior Vice President of Ashland and President of Specialty Ingredients and has served in such capacities since July 2011 and August 2011, respectively During the past five years, he has also served as Vice President of Ashland, President of Ashland Aqualon Functional Ingredients and Vice President and President-Aqualon Division of Hercules

STEVEN E POST (age 57) is Vice President, Operations and Environmental, Health and Safety of Ashland and has served in such capacities since October 2011 During the past five years, he has also served as Senior Vice President, Operations-Specialty Chemicals for ISP's global manufacturing operations

PAUL C RAYMOND, III (age 49) is Senior Vice President of Ashland and President of Water Technologies and has served in such capacities since July 2011 and 2008, respectively During the past five years, he has also served as Vice President of Ashland and Vice President and President-Paper Technologies and Ventures Division of Hercules

ANNE T SCHUMANN (age 51) is Vice President and Chief Information and Administrative Services Officer of Ashland and has served in such capacities since 2008 and 2009, respectively During the past five years, she has also served as Vice President, Acquisition Integration of Ashland and Vice President, Information Technology and Human Resources of Hercules

WALTER H SOLOMON (age 52) is Vice President and Chief Growth Officer of Ashland and has served in such capacities since 2005

Each executive officer is elected by the Board of Directors of Ashland to a term of one year, or until a successor is duly elected, at the annual meeting of the Board of Directors, except in those instances where the officer is elected other than at an annual meeting of the Board of Directors, in which case his or her tenure will expire at the next annual meeting of the Board of Directors unless the officer is re-elected

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

See Quarterly Financial Information on page F-56 for information relating to market price and dividends of Ashland's Common Stock

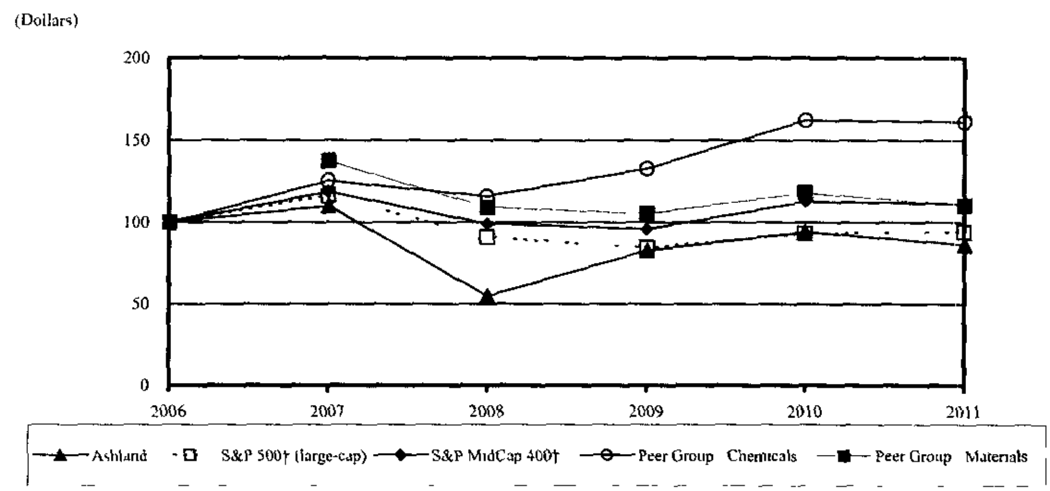
At October 31, 2011, there were approximately 15,600 holders of record of Ashland's Common Stock Ashland Common Stock is listed on the New York Stock Exchange (NYSE) (ticker symbol ASH) and has trading privileges on NASDAQ

There were no sales of unregistered securities required to be reported under Item 701 of Regulation S-K and Ashland made no purchases of Ashland Common Stock during the fourth quarter of fiscal 2011

FIVE-YEAR TOTAL RETURN PERFORMANCE GRAPH

The following graph compares Ashland's five-year cumulative total shareholder return with the cumulative total return of S&P 500† large-cap index, S&P MidCap 400† index, and two peer groups of companies As a result of Ashland's acquisition of ISP and its disposition of the Distribution segment in fiscal year 2011, the Peer Group – Materials was added to this year's graph because this peer group is a better comparison group to Ashland's business However, in accordance with SEC rules, the graph continues to include the Peer Group – Chemicals for comparison purposes Ashland intends to remove Peer Group – Chemicals in next year's performance graph Ashland was listed in the S&P 500† index until November 2008 and is now listed in the S&P MidCap 400† index The cumulative total shareholder return for each of these groups assumes the reinvestment of dividends

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
ASHLAND, S&P 500† LARGE-CAP INDEX, S&P MIDCAP 400† INDEX, AND PEER GROUPS



	2006	2007	2008	2009	2010	2011
Ashland	100	110	55	83	94	86
S&P 500† (large-cap)	100	116	91	85	93	94
S&P MidCap 400†	100	119	99	96	113	111
Peer Group - Chemicals	100	125	116	133	162	161
Peer Group - Materials	100	137	109	105	118	110

The peer groups consist of the following industry indices.

- *Peer Group – Chemicals* S&P 500† Specialty Chemicals (large-cap), S&P MidCap 400† Specialty Chemicals, S&P SmallCap 600† Specialty Chemicals, and S&P MidCap 400† Diversified Chemicals As of September 30, 2011, this peer group consists of 24 companies

  Peer Group - Materials S&P 500† Materials (large-cap) and S&P MidCap 400† Materials As of September 30, 2011, this peer group consists of 59 companies

ITEM 6. SELECTED FINANCIAL DATA

See Five-Year Selected Financial Information on page F-57

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See Management's Discussion and Analysis of Financial Condition and Results of Operations on pages M-1 through M-35

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Quantitative and Qualitative Disclosures about Market Risk on page M-34

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and financial schedule of Ashland presented in this annual report on Form 10-K are listed in the index on page F-1

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures — As of September 30, 2011, Ashland, under the supervision and with the participation of Ashland's management, including Ashland's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Ashland's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of September 30, 2011

Internal Control Over Financial Reporting — See Management's Report on Internal Control Over Financial Reporting on page F-2 and the Report of Independent Registered Public Accounting Firm on page F-3

Changes in Internal Control Over Financial Reporting — There has been no change in Ashland's internal control over financial reporting during the quarter ended September 30, 2011, that has materially affected, or is reasonably likely to materially affect, Ashland's internal control over financial reporting

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

There is hereby incorporated by reference the information to appear under the captions "Election of Directors" in Ashland's Proxy Statement, which will be filed with the SEC within 120 days after September 30, 2011 See also the list of Ashland's executive officers and related information under "Executive Officers of Ashland" in Part I - Item X in this annual report on Form 10-K

There is hereby incorporated by reference the information to appear under the caption "Corporate Governance - Governance Principles" in Ashland's Proxy Statement

There is hereby incorporated by reference the information to appear under the caption "Corporate Governance - Shareholder Nominations of Directors" in Ashland's Proxy Statement

There is hereby incorporated by reference the information to appear under the caption "Audit Committee Report" regarding Ashland's audit committee and audit committee financial experts, as defined under Item 407(d)(4) and (5) of Regulation S-K of the Securities Exchange Act of 1934, as amended, in Ashland's Proxy Statement

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information to appear under the captions "Compensation of Directors," "Corporate Governance - Personnel and Compensation Committee Interlocks and Insider Participation," "Executive Compensation," "Compensation Discussion and Analysis," and "Personnel and Compensation Committee Report on Executive Compensation' in Ashland's Proxy Statement

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

There is hereby incorporated by reference the information to appear under the captions "Ashland Common Stock Ownership of Certain Beneficial Owners," "Ashland Common Stock Ownership of Directors and Executive Officers of Ashland," "Compensation of Directors – Annual Retainer" and "Executive Compensation – Nonqualified Deferred Compensation" in Ashland's Proxy Statement

The following table summarizes the equity compensation plans under which Ashland Common Stock may be issued as of September 30, 2011 Except as disclosed in the narrative to the table, all plans were approved by shareholders of Ashland

	Equity Compensation Plan Information		
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,892,932 (1)	$25 80 (2)	2,390,395 (3)
Equity compensation plans not approved by security holders	256,702 (4)	—	713,491 (5)
Total	2,149,634	$25 80 (2)	3,103,886

(1) This figure includes (a) 201,904 stock options outstanding under the Amended and Restated Ashland Inc Incentive Plan (Amended Plan), (b) 32,384 stock options outstanding under the Hercules Incorporated Amended and Restated Long Term Incentive Compensation Plan, and (c) 11,784 stock options outstanding under the Hercules Incorporated Omnibus Equity Compensation Plan for Non-Employee Directors This figure also includes 47,577 net shares that could be issued under stock-settled SARs under the Amended Plan and 650,972 net shares that could be issued under stock-settled SARs under the 2006 Ashland Inc Incentive Plan (2006 Incentive Plan), based upon the closing price of Ashland Common Stock on the NYSE on September 30, 2011 of $44 14 Additionally, this figure includes 247,956 restricted stock shares granted under the Amended Plan and deferred, 257,456 performance share units for the fiscal 2009-2011 performance period, 162,330 performance share units for the fiscal 2010-2012 performance period, and 157,056 performance share units for the fiscal 2011-2013 performance period, payable in Ashland Common Stock under the 2006 Incentive Plan, estimated assuming target performance is achieved Also included in the figure are 85,273 shares to be issued under the pre-2005 Deferred Compensation Plan for Employees and 38,240 shares to be issued under the pre-2005 Deferred Compensation Plan for Non-Employee Directors, payable in Ashland Common Stock upon termination of employment or service with Ashland

(2) The weighted-average exercise price excludes shares in Ashland Common Stock which may be distributed under the deferred compensation plans and the deferred restricted stock and performance share units which may be distributed under the Amended Plan and the 2006 Incentive Plan as described in footnotes (1) and (4) in this table

(3) This figure includes 1,945,943 shares available for issuance under the 2011 Incentive Plan, 148,827 shares available for issuance under the pre-2005 Deferred Compensation Plan for Employees and 295,625 shares available for issuance under the pre-2005 Deferred Compensation Plan for Non-Employee Directors

(4) This figure includes 74,600 shares to be issued under the Deferred Compensation Plan for Employees (2005) and 182,102 shares to be issued under the Deferred Compensation Plan for Non-Employee Directors (2005), payable in Ashland Common Stock upon termination of employment or service with Ashland Because these plans are not equity compensation plans as defined by the rules of the NYSE, neither plan required approval by Ashland's shareholders

(5) This figure includes 397,820 shares available for issuance under the Deferred Compensation Plan for Employees (2005) and 315,671 shares available for issuance under the Deferred Compensation Plan for Non-Employee Directors (2005) Because these plans are not equity compensation plans as defined by the rules of the NYSE, neither plan required approval by Ashland's shareholders

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

There is hereby incorporated by reference the information to appear under the captions "Corporate Governance – Director Independence and Certain Relationships," "Related Person Transaction Policy," and "Audit Committee Report" in Ashland's Proxy Statement

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

There is hereby incorporated by reference the information with respect to principal accountant fees and services to appear under the captions "Audit Committee Report" and "Ratification of Independent Registered Public Accountants" in Ashland's Proxy Statement

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Report

(1) and (2) Financial Statements and Financial Schedule

(3) See Item 15(b) in this annual report on Form 10-K

The consolidated financial statements and financial schedule of Ashland presented in this annual report on Form 10-K are listed in the index on page F-1

Schedules other than that listed have been omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto Separate financial statements of unconsolidated affiliates are omitted because each company does not constitute a significant subsidiary using the 20% tests when considered individually Summarized financial information for such affiliates is disclosed in Note E of Notes to Consolidated Financial Statements

(b) Documents required by Item 601 of Regulation S-K

3 1 - Third Restated Articles of Incorporation of Ashland and amendment thereto effective February 3, 2009 (filed as Exhibit 3 1 to Ashland's Form 10-Q for the quarter ended December 31, 2008 (SEC File No 001-32532), and incorporated herein by reference)

3 2 - By-laws of Ashland, effective as of June 30, 2005 (filed as Exhibit 3(ii) to Ashland's Form 10-Q for the quarter ended June 30, 2005 (SEC File No 001-32532), and incorporated herein by reference)

4 1 - Ashland agrees to provide the SEC, upon request, copies of instruments defining the rights of holders of long-term debt of Ashland and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the SEC

4 2 - Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland and Citibank, N A , as Trustee (filed as Exhibit 4 2 to Ashland's Form 10-K for the fiscal year ended September 30, 2008 (SEC File No 001-32532), and incorporated herein by reference)

4 3 - Agreement of Resignation, Appointment and Acceptance, dated as of November 30, 2006, by and among Ashland, Wilmington Trust Company (Wilmington) and Citibank, N A (Citibank) whereby Wilmington replaced Citibank as Trustee under the Indenture dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland and Citibank (filed as Exhibit 4 to Ashland's Form 10-Q for the quarter ended December 31, 2006 (SEC File No 001-32532), and incorporated herein by reference)

4 4 - Indenture, dated May 27, 2009, by and among Ashland, the Guarantors and U S Bank National Association (filed as Exhibit 4 1 to Ashland's Form 10-Q for the quarter ended June 30, 2009 (SEC File No 001-32532), and incorporated herein by reference)

4 5 - Warrant Agreement dated July 27, 1999 between Hercules and The Chase Manhattan Bank, as warrant agent (filed as Exhibit 4 4 to Hercules' Form 8-K filed on July 28, 1999 (SEC File No 001-00496), and incorporated herein by reference)

4 6 - Form of Series A Junior Subordinated Deferrable Interest Debentures (filed as Exhibit 4 5 to Hercules' Form 8-K filed on July 28, 1999 (SEC File No 001-00496), and incorporated herein by reference)

4 7 - Form of CRESTS[SM] Unit (filed as Exhibit 4 7 to Hercules' Form 8-K filed on July 28, 1999 (SEC File No 001-00496), and incorporated herein by reference)

4 8 - Form of Warrant (filed as Exhibit 4 8 to Hercules' Form 8-K filed on July 28, 1999 (SEC File No 001-00496), and incorporated herein by reference)

The following Exhibits 10 1 through 10 22 are contracts or compensatory plans or arrangements or management contracts required to be filed as exhibits pursuant to Items 601(b)(10)(ii)(A) and 601(b)(10)(iii)(A) and (B) of Regulation S-K

10 1 - Ashland Inc Deferred Compensation Plan for Non-Employee Directors and Amendment No 1 (filed as Exhibit 10 5 to Ashland's Form 10-Q for the quarter ended December 31, 2004 (SEC File No 001-32532), and incorporated herein by reference)

10 2 - Ashland Inc Deferred Compensation Plan and Amendment No 1 (filed as Exhibit 10 3 to Ashland's Form 10-Q for the quarter ended December 31, 2004 (SEC File No 001-32532), and incorporated herein by reference).

10 3 - Amended and Restated Ashland Inc Deferred Compensation Plan for Employees (2005) (filed as Exhibit 10 3 to Ashland's Form 10-K for the fiscal year ended September 30, 2008 (SEC File No 001-32532), and incorporated herein by reference)

10 4 - Amended and Restated Ashland Inc Deferred Compensation Plan for Non-Employee Directors (2005) (filed as Exhibit 10 4 to Ashland's Form 10-K for the fiscal year ended September 30, 2008 (SEC File No 001-32532), and incorporated herein by reference)

10 5 - Amended and Restated Ashland Inc Supplemental Early Retirement Plan for Certain Employees (filed as Exhibit 10 5 to Ashland's Form 10-K for the fiscal year ended September 30, 2010 (SEC File No 001-32532), and incorporated herein by reference)

10 6 - Ashland Supplemental Defined Contribution Plan for Certain Employees (filed as Exhibit 10 3 to Ashland's Form 10-Q for the quarter ended March 31, 2011 (SEC File No 001-32532), and incorporated herein by reference)

10 7 - Amended and Restated Ashland Inc Nonqualified Excess Benefit Pension Plan (filed as Exhibit 10 6 to Ashland's Form 10-K for the fiscal year ended September 30, 2008 (SEC File No 001-32532), and incorporated herein by reference)

10 8 - Hercules Incorporated Employee Pension Restoration Plan (filed as Exhibit 10 9 to Ashland's Form 10-K for the fiscal year ended September 30, 2010 (SEC File No 001-32532), and incorporated herein by reference)

10 9 - Form of Chief Executive Officer Change in Control Agreement (filed as Exhibit 10 1 to Ashland's Form 8-K filed on January 7, 2009 (SEC File No 001-32532), and incorporated herein by reference)

10 10 - Form of Executive Officer Change in Control Agreement (filed as Exhibit 10 2 to Ashland's Form 8-K filed on January 7, 2009 (SEC File No 001-32532), and incorporated herein by reference)

10 11 - Form of Executive Officer Change in Control Agreement, effective for agreements entered into after July 2009 (filed as Exhibit 10 11 to Ashland's Form 10-K for the fiscal year ended September 30, 2009 (SEC File No 001-32532), and incorporated herein by reference)

10 12 - Ashland Inc Severance Pay Plan (filed as Exhibit 10 3 to Ashland's Form 8-K filed on January 7, 2009 (SEC File No 001-32532), and incorporated herein by reference)

10 13 - Employment Agreement between Ashland and John E Panichella (filed as Exhibit 10 14 to Ashland's Form 10-K for the fiscal year ended September 30, 2008 (SEC File No 001-32532), and incorporated herein by reference)

10 14 - Employment Agreement between Ashland and Paul C Raymond, III (filed as Exhibit 10 15 to Ashland's Form 10-K for the fiscal year ended September 30, 2008 (SEC File No 001-32532), and incorporated herein by reference)

10 15 - Form of Indemnification Agreement between Ashland and members of its Board of Directors (filed as Exhibit 10 10 to Ashland's annual report on Form 10-K for fiscal year ended September 30, 2005 (SEC File No 001-32532), and incorporated herein by reference)

10 16 - Amended and Restated Ashland Inc Incentive Plan (filed as Exhibit 10 17 to Ashland's Form 10-K for the fiscal year ended September 30, 2009 (SEC File No 001-32532), and incorporated herein by reference)

10 17 - 2006 Ashland Inc Incentive Plan (filed as Exhibit 10 to Ashland's Form 10-Q for the quarter ended December 31, 2005 (SEC File No 001-32532), and incorporated herein by reference)

10 18 - 2011 Ashland Inc Incentive Plan (filed as Exhibit 10 1 to Ashland's Form 8-K filed on February 1, 2011 (SEC File No 001-32532), and incorporated herein by reference)

10 19 - Form of Stock Appreciation Rights Award Agreement (filed as Exhibit 10 4 to Ashland's Form 10-Q for the quarter ended March 31, 2011 (SEC File No 001-32532), and incorporated herein by reference)

10 20 - Form of Performance Unit (LTIP) Award Agreement (filed as Exhibit 10 5 to Ashland's Form 10-Q for the quarter ended March 31, 2011 (SEC File No 001-32532), and incorporated herein by reference)

10 21 - Form of Restricted Stock Award Agreement (filed as Exhibit 10 6 to Ashland's Form 10-Q for the quarter ended March 31, 2011 (SEC File No 001-32532), and incorporated herein by reference)

10 22 - Form of Restricted Stock Unit Agreement

10 23 - Purchase Agreement for the $650 Million 9 1/8% Senior Notes due 2017, dated May 19, 2009, between Ashland and Banc of America Securities, LLC, Scotia Capital (USA) Inc and SunTrust Robinson Humphrey, Inc (filed as Exhibit 10 1 to Ashland's Form 10-Q for the quarter ended June 30, 2009 (SEC File No 001-32532), and incorporated herein by reference)

10 24 - Credit Agreement dated as of August 23, 2011, among Ashland, as Borrower, The Bank of Nova Scotia, as Administrative Agent, Swing Line Lender and an L/C Issuer, Citibank, N A , as Syndication Agent, Bank of America, N A , U S Bank National Association and PNC Bank, National Association, as Co-Documentation Agents, and the Lenders from time to time party thereto (filed as Exhibit 10 1 to Ashland's Form 8-K filed on August 29, 2011 (SEC File No 001-32532), and incorporated herein by reference)

10 25 - Master Formation Agreement dated July 15, 2010, among Ashland, Sud-Chemie Aktiengesellschaft and Ashland-Sudchemie-Kernfest GmbH filed as Exhibit 10 26 to Ashland's Form 10-K for the fiscal year ended September 30, 2010 (SEC File No 001-32532), and incorporated herein by reference)

10 26 - Master Contribution and Sale Agreement dated July 15, 2010, among Ashland, Ashland International Holdings, Inc , Sud-Chemie Aktiengesellschaft, Tecpro Holding Corporation Inc and Ashland-Sudchemie-Kernfest GmbH (filed as Exhibit 10 27 to Ashland's Form 10-K for the fiscal year ended September 30, 2010 (SEC File No 001-32532), and incorporated herein by reference)

10 27 - Shareholders' Agreement effective November 30, 2010 by and between Sud-Chemie Aktiengesellschaft and Sud-Chemie Finance GmbH and Ashland and Ashland International Holdings, Inc (filed as Exhibit 10 to Ashland's Form 10-Q for the quarter ended December 31, 2010 (SEC File No 001-32532), and incorporated herein by reference)

10 28 - Agreement of Purchase and Sale dated November 5, 2010, by and between Ashland Inc and TPG Accolade, LLC (filed as Exhibit 2 1 to Ashland's Form 8-K filed on November 10, 2010 (SEC File No 001-32532), and incorporated herein by reference)

10 29 - Amendment Agreement dated March 31, 2011, by and between Ashland and Nexeo Solutions, LLC, formerly known as TPG Accolade, LLC (filed as Exhibit 10 1 to Ashland's Form 8-K filed on April 5, 2011 (SEC File No 001-32532), and incorporated herein by reference)

10 30 - Stock Purchase Agreement dated as of May 30, 2011, entered into by and among The Samuel J Heyman 1981 Continuing Trust for Lazarus S Heyman, The Samuel J Heyman 1981 Continuing Trust for Eleanor S Heyman, The Samuel J Heyman 1981 Continuing Trust for Jennifer L Heyman, The Samuel J Heyman 1981 Continuing Trust for Elizabeth D Heyman, The Lazarus S Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S Heyman, The Eleanor S Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S Heyman, The Jennifer L Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S Heyman, The Elizabeth D Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S Heyman, The Horizon Holdings Residual Trust, RFH Investment Holdings LLC, Ashland and Ronnie F Heyman, as representative of the Seller Parties (filed as Exhibit 2 1 to Ashland's Form 8-K filed on May 31, 2011 (SEC File No 001-32532), and incorporated herein by reference).

11 - Computation of Earnings Per Share (appearing in Note A of Notes to Consolidated Financial Statements in this annual report on Form 10-K)

12 - Computation of Ratio of Earnings to Fixed Charges

18 - PricewaterhouseCoopers LLP Preferability Letter Related to Change in Accounting for Pensions and Inventory

21 - List of Subsidiaries

23 1 - Consent of PricewaterhouseCoopers LLP

23 2	-	Consent of Hamilton, Rabinovitz & Associates, Inc
24	-	Power of Attorney
31 1	-	Certification of James J O'Brien, Chief Executive Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31 2	-	Certification of Lamar M Chambers, Chief Financial Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	-	Certification of James J O'Brien, Chief Executive Officer of Ashland, and Lamar M Chambers, Chief Financial Officer of Ashland, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101 INS*		XBRL Instance Document
101 SCH*		XBRL Taxonomy Extension Schema Document
101 CAL*		XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF*		XBRL Taxonomy Extension Definition Linkbase Document
101 LAB*		XBRL Taxonomy Extension Label Linkbase Document
101 PRE*		XBRL Taxonomy Extension Presentation Linkbase Document

*Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language) (i) Statements of Consolidated Income for years ended September 30, 2011, 2010 and 2009, (ii) Consolidated Balance Sheets at September 30, 2011 and 2010, (iii) Statements of Consolidated Stockholders' Equity at September 30, 2011, 2010 and 2009, (iv) Statements of Consolidated Cash Flows for years ended September 30, 2011, 2010 and 2009, and (v) Notes to Consolidated Financial Statements Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections

TM Trademark Ashland or its subsidiaries, registered in various countries

† Trademark owned by a third party

Upon written or oral request, a copy of the above exhibits will be furnished at cost

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

ASHLAND INC
(Registrant)
By

/s/ Lamar M Chambers
Lamar M Chambers
Senior Vice President and Chief Financial Officer
Date November 23, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, in the capacities indicated, on November 23, 2011

Signatures	Capacity
/s/ James J O'Brien James J O'Brien	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Lamar M Chambers Lamar M Chambers	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ J William Heitman J William Heitman	Vice President and Controller (Principal Accounting Officer)
* Roger W Hale	Director
* Kathleen Ligocki	Director
* Vada O Manager	Director
* Barry W Perry	Director
* Mark C Rohr	Director
* George A Schaefer, Jr	Director
* Theodore M Solso	Director
* John F Turner	Director
* Michael J Ward	Director

*By /s/ Peter J Ganz
Peter J Ganz
Attorney-in-Fact

Date November 23, 2011

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements for the years ended September 30, 2011, 2010 and 2009

BUSINESS OVERVIEW

Ashland profile

Ashland is a leading, global specialty chemical company that provides products, services and solutions that meet customer needs throughout a variety of industries Ashland's chemistry is used in a wide variety of markets and applications, including architectural coatings, automotive, construction, energy, food and beverage, personal care, pharmaceutical, tissue and towel, and water treatment With approximately 15,000 employees worldwide, Ashland serves customers in more than 100 countries

Ashland's sales generated outside of North America were 46% in 2011, 44% in 2010 and 43% in 2009 Sales by region expressed as a percentage of total consolidated sales were as follows

Sales by Geography	2011 (a)	2010	2009 (b)
North America	54%	56%	57%
Europe	26%	25%	25%
Asia Pacific	13%	12%	12%
Latin America & other	7%	7%	6%
	100%	100%	100%

(a) Sales from the acquired operations of International Specialty Products Inc (ISP) are included from the acquired date of August 23, 2011 and forward
(b) Sales from the acquired operations of Hercules Incorporated (Hercules) are included from the acquired date of November 13, 2008 and forward

Business segments

Ashland's reporting structure is composed of four reporting segments Ashland Specialty Ingredients (Specialty Ingredients) which in previous years was known as Ashland Functional Ingredients, Ashland Water Technologies (Water Technologies), Ashland Performance Materials (Performance Materials) and Ashland Consumer Markets (Consumer Markets) For further descriptions of each business segment see the "Results of Operations – Business Segment Review" beginning on page M-11

The contribution to sales by each business segment expressed as a percentage of total consolidated sales were as follows

Sales by Business Segment	2011 (a)	2010	2009 (b)
Specialty Ingredients	20%	16%	15%
Water Technologies	29%	31%	32%
Performance Materials	21%	22%	21%
Consumer Markets	30%	31%	32%
	100%	100%	100%

(a) Sales from the acquired operations of ISP are included from the acquired date of August 23, 2011 and forward
(b) Sales from the acquired operations of Hercules are included from the acquired date of November 13, 2008 and forward

KEY DEVELOPMENTS

During 2011 and other previous periods, the following operational decisions and economic developments had an impact on Ashland's current and future cash flows, results of operations and financial position

Economic environment

Ashland has generally experienced demand increases within each operating segment on a comparable basis, however, its current financial performance has been adversely impacted by escalating raw material costs Ashland continues to emphasize price increases to offset these increased costs, while internally assessing operations for cost reduction opportunities, including stranded costs from the sale of the Distribution business and the contribution of the Casting Solutions business to the expanded global joint venture with Sud-Chemie that both occurred during 2011

Acquisitions/Divestitures

International Specialty Products acquisition

On August 23, 2011, Ashland completed its acquisition of ISP, a global specialty chemical manufacturer of innovative functional ingredients and technologies, in a transaction valued at $3 2 billion ISP reported sales of $1 9 billion for the twelve months ended September 30, 2011 The purchase price was an all cash transaction, reduced by the amount of ISP's net indebtedness at closing, and is subject to a post-closing adjustment based on changes in ISP's net working capital at closing In addition, the purchase price is subject to post-closing adjustments to the extent that certain change in control payments, termination costs for interest rate swaps, and accrued pension and other post-employment benefit liabilities of ISP exceed specified amounts Ashland has included ISP within the Specialty Ingredients reporting segment, with the exception of ISP's Elastomers business line, a business with $410 million of sales for the twelve months ended September 30, 2011, which has been included within the Performance Materials reporting segment

Distribution divestiture

On March 31, 2011, Ashland completed the sale to Nexeo Solutions, LLC (formerly known as TPG Accolade, LLC (Nexeo)) of substantially all of the assets and certain liabilities of its global distribution business which previously comprised the Ashland Distribution (Distribution) segment The transaction was an asset sale with the total post closing adjusted cash proceeds received by Ashland of $972 million, before transaction fees and taxes Ashland recognized an after-tax gain of $271 million The tax effects on the gain were partially offset by a $72 million release of tax valuation allowances on a capital loss carry-forward generated from the December 2008 divestiture of Ashland's interest in FiberVisions Holdings LLC The gain was included within the discontinued operations caption in the Statements of Consolidated Income for 2011 Ashland Distribution recorded sales of $3,419 million during the fiscal year ended September 30, 2010 and employed approximately 2,000 employees across North America and Europe

Because this transaction signifies Ashland's exit from the distribution business, the results of operations and cash flows of Distribution have been classified as discontinued operations for all periods presented Certain indirect corporate costs included within selling, general and administrative expense that were previously allocated to the Distribution reporting segment that do not qualify for discontinued operations accounting classification are now reported as costs within the Unallocated and other section for segment reporting purposes, and equaled $36 million, $31 million and $25 million for 2011, 2010 and 2009, respectively Ashland is currently implementing plans to reduce these stranded costs

Ashland will retain and has agreed to indemnify Nexeo for certain liabilities of the Distribution business arising prior to the closing of the sale This includes pension and other postretirement benefits, as well as certain other liabilities, including certain litigation and environmental liabilities relating to the pre-closing period, as described in the definitive agreement Costs directly related to these expenses have been included within the discontinued operations caption for 2011, 2010 and 2009 The ongoing effects of the pension and postretirement plans for former Distribution employees will be reported within the Unallocated and other section of continuing operations subsequent to March 31, 2011

As part of this sale, Ashland is receiving transition service fees for ongoing administrative and other services being provided to Nexeo During 2011 Ashland recognized transition service fees of $17 million, which offset costs within the selling, general and administrative expense caption of the Statements of Consolidated Income While the transition service agreements vary in duration depending upon the type of service provided, Ashland is implementing plans to reduce costs as the transition services are phased out See Note D of Notes to Consolidated Financial Statements for further information on the results of operations of Distribution for all periods presented

Casting Solutions joint venture

In July 2010, Ashland and Sud-Chemie AG (Sud-Chemie) signed an agreement for the formation of an expanded global joint venture serving the foundry chemical sector The transaction closed on November 30, 2010 and combined three businesses (i) Ashland's Casting Solutions business group, (ii) Sud-Chemie's Foundry-Products and Specialty Resins business unit, and (iii) Ashland-Sudchemie-Kernfest GmbH (ASK), the then existing 50% owned European-based joint venture between Ashland and Sud-Chemie, for which Ashland historically only recognized equity income of the joint venture within its consolidated results Ashland's Casting Solutions and ASK businesses recorded sales of $279 million and $145 million, respectively, during each businesses' most recently completed fiscal year prior to the closing The Foundry-Products and Specialty Resins business unit of Sud-Chemie contributed to the joint venture generated sales of approximately $146 million for its most recently completed fiscal year prior to the closing

During the fifth year of the joint venture's operations, Ashland will have the option to sell its shares in the expanded global joint venture to Sud-Chemie under mutually agreed terms If Ashland does not execute this option by the end of the sixth year of the joint venture's operations, Sud-Chemie will have the option to acquire Ashland's shares under mutually agreed terms Under both options, if mutually agreed terms cannot be reached, then the fair market value of the shares will be determined through an appraisal process set forth in the agreement

Upon closing of the transaction, the joint venture distributed a $21 million net payment to Ashland in accordance with the agreement From the closing date of the transaction through the end of 2011, Ashland received an additional $46 million cash payment from the joint venture, representing final distributions resulting from post-closing activities and measurements set forth in the agreement

Ashland recognized a pretax gain of $23 million during 2011, attributable to the fair market value of the net assets contributed to the joint venture For the majority of the valuation of the contributed assets and liabilities, Ashland utilized the discounted cash flow method, however, the adjusted book value method was also used in some areas of the valuation The gains were included in the net gain on acquisitions and divestitures caption in the Statements of Consolidated Income

Ashland's equity interest in the expanded joint venture qualifies for equity method accounting treatment under accounting principles generally accepted in the United States of America (U S GAAP) As a result, beginning on December 1, 2010, the results of the Performance Materials segment no longer includes the sales, cost of sales, selling, general and administrative expense and corresponding taxes related to the Casting Solutions business, however, Ashland includes the financial results of the joint venture within operating income of the Performance Materials segment and in the equity and other income caption of the Statements of Consolidated Income In addition, the expanded joint venture has resulted in certain stranded costs that Ashland is currently implementing cost reduction plans to eliminate

Ara Quimica acquisition

In April 2010, Ashland acquired the remaining 50% interest in Ara Quimica S A (Ara Quimica), a leading producer of custom unsaturated polyester resin formulations for the composites industry in South America, for $28 million Prior to the acquisition, Ashland owned a 50% interest in Ara Quimica, which it recorded as an equity-method investment within the Performance Materials reporting segment During 2010, Ashland recognized a pretax gain of $23 million as a result of revaluing its existing equity interest held in Ara Quimica before the business combination The gain was included in the net gain on acquisitions and divestitures caption on the Statements of Consolidated Income As a result of this transaction, Ashland recorded $19 million of current assets and $61 million of long-term assets, which includes $55 million of goodwill and intangible assets In addition, Ashland recorded $18 million of current liabilities and $6 million of noncurrent liabilities

Pinova divestiture

In January 2010, Ashland sold its refined wood rosin and natural wood terpenes business, formerly known as Pinova, a business unit of Specialty Ingredients, to TorQuest Partners in a transaction valued at approximately $75 million before tax, which was comprised of $60 million in cash and a $15 million five-year promissory note from TorQuest Partners The Pinova business, with annual revenues of approximately $85 million per year, had approximately 200 employees along with an associated manufacturing facility located in Brunswick, Georgia The transaction resulted in a pretax gain of less than $1 million, which was included in the net gain on acquisitions and divestitures caption on the Statements of Consolidated Income As part of this transaction, TorQuest Partners has agreed to continue to manufacture certain products on behalf of Ashland

Drew Marine divestiture

In August 2009, Ashland sold its global marine services business known as Drew Marine, a business unit of Water Technologies, to J F Lehman & Co in a transaction valued at approximately $120 million before tax, which was subsequently reduced by $4 million after giving effect to post-closing adjustments related primarily to working capital Drew Marine businesses had annual sales of approximately $140 million per year The transaction resulted in an initial pretax gain of $56 million during 2009, which was included in the net gain on acquisitions and divestitures caption on the Statements of Consolidated Income As part of this transaction, Ashland has agreed to continue to manufacture certain products for Drew Marine

Hercules acquisition

On November 13, 2008, Ashland completed its acquisition of Hercules in a transaction valued at approximately $3 4 billion The total merger consideration for outstanding Hercules Common Stock was $2,594 million, including $2,096 million in cash, $450 million in Ashland Common Stock with the remaining value of the transaction related to cash consideration and value for restricted stock units, stock options and transaction costs In addition Ashland assumed $798 million in debt as a part of the transaction The acquired businesses of Hercules currently comprise significant portions of the Specialty Ingredients and Water Technologies reporting segments

Restructuring and integration programs

Ashland periodically implements restructuring programs related to acquisitions, divestitures or other cost reduction programs in order to enhance profitability through streamlined operations and an improved overall cost structure for each business As of September 30, 2011, the remaining restructuring reserves for previously announced programs principally consisted of severance payments from the 2009 Hercules Integration Plan, which resulted in 12 permanent facility closings and a reduction in the global workforce of over 2,000 employees between 2008 and 2010, and the Performance Materials restructuring, which consisted of several plant closings and operational redesign to eliminate excess capacity that was announced during 2010 The total restructuring cost incurred under these plans during 2010 was $15 million, and was classified within the selling, general and administrative expense caption of the Statements of Consolidated Income The total restructuring cost incurred during 2009 was $96 million, of which $75 million had been charged as an expense within the Statements of Consolidated Income, consisting of $58 million classified within the selling, general and administrative expense caption and $17 million of accelerated depreciation charged to the cost of sales caption The remaining cost of $21 million related to severance associated with Hercules personnel, which qualified for the purchase method of accounting in accordance with U S GAAP at that time, and had no effect on the Statements of Consolidated Income

During 2011, Ashland announced steps to reduce stranded costs resulting from the divestiture of Distribution and the contribution of the Casting Solutions business to the new global joint venture with Süd-Chemie In addition, Ashland is currently taking action to integrate ISP into the Specialty Ingredients and Performance Materials businesses, subsequent to its purchase in August 2011 As a first step to address cost reduction opportunities resulting from these transactions, Ashland announced a voluntary severance offer (VSO) in June 2011 to approximately 1,500 regular, full-time, non-union, U S -based employees, primarily within various shared resource groups as well as certain positions within the Specialty Ingredients business As of September 30, 2011, 150 employees have been formally approved for the VSO An involuntary program was also initiated as a further step to capture targeted saving levels from these transactions and other business cost saving initiatives The VSO and involuntary program resulted in a severance charge of $34 million classified within the selling, general and administrative expense caption of the Statements of Consolidated Income Ashland anticipates additional subsequent charges from ongoing efforts to maximize operational efficiencies as a result of these transactions

Financing activities

On August 23, 2011, in conjunction with the ISP acquisition closing, Ashland entered into a $3 9 billion senior secured credit facility with a group of lenders (the Senior Credit Facility) The Senior Credit Facility is comprised of (i) a $1 5 billion term loan A facility, (ii) a $1 4 billion term loan B facility and (iii) a $1 0 billion revolving credit facility Proceeds from borrowings under the term loan A facility and the term loan B facility were used, together with cash on hand, to finance the cash consideration paid for the ISP acquisition, as well as to finance the repayment of existing indebtedness of ISP in connection with the acquisition

The Senior Credit Facility is guaranteed by Ashland's existing and future subsidiaries (other than certain immaterial subsidiaries, joint ventures, special purpose financing subsidiaries, regulated subsidiaries, certain foreign subsidiaries and certain other subsidiaries), and is secured by a first-priority security interest in substantially all the personal property assets, and certain real property assets, of Ashland and the guarantors, including all or a portion of the equity interests of certain of Ashland's domestic subsidiaries and first-tier foreign subsidiaries and, in certain cases, a portion of the equity interests of other foreign subsidiaries The term loan A facility was drawn in full at closing and is required to be repaid by Ashland in consecutive quarterly installments beginning on December 31, 2011, with an aggregate amount equal to 5% of the original principal amount of such facility due in each of the first and second years after August 23, 2011 (the closing date), an aggregate amount equal to 10% of the original principal amount due in each of the third and fourth years after the closing date, an aggregate amount equal to 15% of the original principal amount due in the fifth year after the closing date, and a final payment of all outstanding principal and interest due on August 23, 2016 The term loan B facility was also drawn in full at closing and is required to be repaid by Ashland in consecutive quarterly installments beginning on December 31, 2011, with an aggregate amount equal to 1% of the original principal amount of such facility due in each of the seven years after the closing date, and a final payment of all outstanding principal and interest due on August 23, 2018 Total borrowing capacity remaining under the $1 0 billion revolving credit facility was $914 million, representing a reduction of $86 million for letters of credit outstanding at September 30, 2011

At Ashland's option, loans issued under the credit agreement carry interest rates of LIBOR or an alternate base rate, in each case plus the applicable interest rate margin Loans in respect of the term loan B facility carry interest rates of LIBOR plus 2 75%, in the case of LIBOR borrowings, or at the alternate base rate plus 1 75%, and is subject to a 1% LIBOR floor Loans in respect of the term loan A facility and the revolving credit facility carried an initial interest rate of LIBOR plus 2 25%, in the case of LIBOR borrowings, or at the alternate base rate plus 1 25%, through and including February 19, 2012, and thereafter the interest rate will fluctuate between LIBOR plus 1 75% and LIBOR plus 2 50% (or between the alternate base rate plus 0 75% and the alternate base rate plus 1 50%), based upon Ashland's corporate credit ratings or the consolidated gross leverage ratio (as defined in the credit agreement) (whichever yields a lower applicable interest rate margin) at such time In addition, Ashland will initially be required to pay fees of 0 40% on the daily unused amount of the revolving credit facility through and including February 19, 2012, and thereafter the fee rate will fluctuate between 0 30% and 0 50%, based upon Ashland's corporate credit ratings or the consolidated gross leverage ratio In order to manage the variable interest rate risk associated with term loans A and B, Ashland entered into interest rate swap agreements As of September 30, 2011, the total notional value of interest rate swaps related to term loan A and term loan B equaled $1 5 billion and $650 million, respectively, effectively fixing the interest rates for approximately 75% of the term loan A and term loan B principal in the aggregate See Note G for additional information on the interest rate swap instruments

The term loan A facility and the revolving credit facility may be prepaid at any time without premium If within one year of the closing date, Ashland refinances, or voluntarily prepays loans in respect of, the term loan B facility through the incurrence of other long-term bank debt that has a lower effective yield than the yield on the term loan B facility, then Ashland is required to pay a prepayment premium equal to 1 0% of the aggregate principal amount of the term loan B facility so refinanced or prepaid In addition, Ashland is required to make mandatory prepayments in respect of the Senior Credit Facility with specified percentages of the net cash proceeds of certain asset dispositions, casualty events and debt and equity issuances and with specified percentages of excess cash flow, in each case subject to certain conditions

Former senior credit facility

During March 2011, Ashland terminated its previous term loan A facility due 2014, paying off the outstanding balance of $289 million with funds received from the sale of Distribution As a result of the termination of this facility, Ashland recognized an $11 million charge for the remaining debt issuance costs related to the loan fees paid to originate the loan, which is included in the net interest and other financing expense caption in the Statements of Consolidated Income

On March 31, 2010, as part of a refinancing of its then-existing senior credit facilities, Ashland entered into a credit agreement with a group of lenders The credit agreement provided for an aggregate principal amount of $850 million in senior secured credit facilities, consisting of a $300 million four-year term loan A facility and a $550 million revolving credit facility The proceeds from the borrowings from the term loan A facility were used, together with proceeds from the accounts receivable securitization facility described further within this note, and cash on hand to repay all amounts outstanding under Ashland's previous senior secured facilities and to pay for fees and expenses incurred in connection with the credit facilities and the related transactions As discussed above, the term loan A facility was terminated and repaid in March 2011, and the revolving credit facility was replaced with a new $1 0 billion revolving credit facility as part of the August 23, 2011 current Senior Credit Facility

As a result of the ISP acquisition and financing of the transaction, Ashland's corporate credit rating was downgraded by Standard & Poor's from BB+ to BB, while Ashland's corporate credit rating from Moody's Investor Services remained unchanged at Ba1 At September 30, 2011, Standard & Poor's and Moody's Investor Services both rated Ashland's outlook as stable Ashland's ability to access capital markets to provide liquidity has remained largely unchanged as a result of these ratings actions, however, improvements in the credit markets and Ashland's financial performance, has allowed, and should continue in the future to allow, Ashland to borrow on more favorable terms, including less restrictive covenants and lower interest rates

Based on Ashland's current debt structure included in Note I of Notes to Consolidated Financial Statements and the debt restructuring during 2011 in conjunction with the closing of the ISP transaction, future annual interest expense is expected to range from approximately $220 million to $240 million based on applicable fixed and floating interest rates, assuming interest rates remain stable

Specialty Ingredients expansion – HEC manufacturing facility

In November 2010, Specialty Ingredients' new hydroxyethylcellulose (HEC) production facility in Nanjing, China became operational At a cost of $90 million, the new facility represents Ashland's largest single investment in China and the Asia Pacific region This manufacturing facility increased Specialty Ingredients' HEC production capacity by 10,000 metric tons per year and can be expanded to produce up to 20,000 metric tons per year

Stock repurchase and annual dividend increase

In March 2011, the Board of Directors of Ashland approved a $400 million stock repurchase program Under the program that began on April 1, 2011, Ashland purchased common shares through a $200 million 10b5-1 automatic trading plan Effective May 31, 2011, as a result of the announcement of the ISP acquisition, Ashland terminated the 10b5-1 automatic trading program Purchases under the plan amounted to $71 million, or 1 2 million shares Ashland still has the ability to make discretionary purchases of Ashland Common Stock on the open market, pursuant to the Board's original $400 million share repurchase authorization

In May 2011, the Board of Directors of Ashland announced a quarterly cash dividend of 17 5 cents per share, 70 cents per share on an annual basis, to eligible shareholders of record This amount was paid for quarterly dividends in June and September 2011, and was an increase from the quarterly cash dividend of 15 cents per share paid during the first and second quarters of fiscal 2011 Cash dividends paid during fiscal 2011, 2010 and 2009 were 65 cents, 45 cents and 30 cents per share, respectively

RESULTS OF OPERATIONS – CONSOLIDATED REVIEW

Use of non-GAAP measures

Based on clarification and interpretive guidance from the Securities and Exchange Commission regarding the use of non-GAAP measures, Ashland has included within this document certain non-GAAP measures which include EBITDA (operating income plus depreciation and amortization), adjusted EBITDA (EBITDA adjusted for key items, which may include pro forma affects for significant acquisitions or divestitures, as applicable), adjusted EBITDA margin (adjusted EBITDA, which can include pro forma adjustments, divided by sales) and free cash flow (cash flows by operating activities from continuing operations minus cash dividends paid and additions to property, plant and equipment) Such measurements are not prepared in accordance with U S GAAP and should not be construed as an alternative to reported results determined in accordance with U S GAAP Management believes the use of such non-GAAP measures on a consolidated and business segment basis assists investors in understanding the ongoing operating performance by presenting the financial results between periods on a more comparable basis In addition, certain financial covenants related to Ashland's Senior Credit Facility are based on similar non-GAAP measures The non-GAAP information provided is unique to Ashland and may not be consistent with the methodologies used by other companies

Consolidated review

Net income

Ashland's net income amounted to $414 million in 2011, $141 million in 2010 and a loss of $261 million in 2009, or $5 17, $1 78 and $(3 60) diluted earnings per share, respectively Ashland's net income is primarily affected by results within operating income, net interest and other financing expense, income taxes, discontinued operations and other significant events or transactions that are unusual or nonrecurring Operating income includes Ashland's adjustment for the immediate recognition of the change in the fair value of the plan assets and net actuarial gains and losses annually for defined benefit pension plans and other postretirement benefit plans each fiscal year See "Application of Critical Accounting Policies" for additional details regarding Ashland's accounting policies for benefit plan obligations

Income from continuing operations, which excludes results from discontinued operations, amounted to $56 million in 2011, $88 million in 2010 and a loss of $240 million in 2009, or $ 70, $1 11 and $(3 31) per diluted earnings per share, respectively Operating income was $130 million, $249 million and a loss of $91 million during 2011, 2010 and 2009, respectively See the "Operating income" discussion for an analysis of these results

Ashland incurred pretax net interest and other financing expense of $121 million, $197 million and $205 million during 2011, 2010 and 2009, respectively Included within 2011, 2010 and 2009 were accelerated amortization charges and prepayment penalties totaling $12 million, $66 million and $18 million, respectively, for early repayment of various debt instruments The decrease in interest expense during 2011 compared to 2010 was primarily attributable to accelerated amortization costs incurred in 2010, as well as reduced debt levels throughout fiscal 2011 as compared to 2010 The decrease in interest expense during 2010 compared to 2009 was primarily attributable to a lower weighted-average rate of borrowing due to Ashland's refinancing of debt, as well as approximately $400 million in debt reduction

The effective income tax benefit rate of 1,766 7% for 2011, 17 3% for 2010 and 25 7% for 2009 were significantly affected by a number of discrete items discussed in further detail within the income tax expense caption discussion in the comparative Statements of Consolidated Income analysis

Discontinued operations, which are reported net of taxes, resulted in $358 million and $53 million of income during 2011 and 2010, respectively, and a loss of $21 million in 2009 The results each year include the direct operating results of Distribution and various adjustments related to previously recorded divestitures as well as updates to the asbestos liability and receivable models For further information on items reported within this caption, see the discontinued operations caption discussion in the comparative Statements of Consolidated Income analysis

Ashland reported significant nonrecurring items in 2011, 2010 and 2009 that were not classified in operating income These items in 2011 included a pretax gain of $23 million from the fair value assessment of the Casting Solutions net assets contributed to the expanded global joint venture with Sud-Chemie exceeding the recorded amounts, offset by ISP transaction costs of $21 million included within the net (loss) gain on acquisitions and divestitures caption of the Statements of Consolidated Income These items in 2010 included a $23 million pretax gain as a result of remeasuring Ashland's previously held 50% equity interest in Ara Quimica partially offset by a $5 million pretax charge as a result of the Patient Protection and Affordable Care Act included within the net (loss) gain on acquisitions and divestitures caption of the Statements of Consolidated Income These items in 2009 included a $56 million pretax gain from the sale of Drew Marine, which was also reported within the net (loss) gain on acquisitions and divestitures caption of the Statements of Consolidated

Income, as well as a $54 million pretax loss related to cross-currency swaps and a $32 million pretax loss on auction rate securities, which were both associated with the Hercules acquisition and reported within the other income and (expense) caption of the Statements of Consolidated Income For further information on each of these items see the related income statement caption discussion in the comparative Statements of Consolidated Income analysis

Operating income

Operating income amounted to $130 million in 2011, $249 million in 2010 and a loss of $91 million in 2009 Operating income or loss for each period includes the impact of Ashland's policy to immediately recognize the change in the fair value of the plan assets and net actuarial gains and losses for defined benefit pension plans and other postretirement benefit plans, which resulted in charges of $318 million in 2011, $268 million in 2010 and $409 million in 2009

Operating income results in 2011 compared to 2010 included an additional $5 million of operating income from the additional 39 day period the businesses of ISP (acquired on August 23, 2011) were owned in 2011 compared to 2010 Additionally, the results in 2011 included $55 million for severance and restructuring charges compared to $18 million in 2010 The results in 2011 also included $16 million for a nonrecurring purchase accounting adjustment related to inventory as well as $19 million for environmental reserve adjustments and $2 million for Casting Solutions transaction and start-up costs related to the Sud-Chemie joint venture

Operating income results in 2010 compared to 2009 included an additional $24 million of operating income from the additional 44 day period the businesses of Hercules (acquired on November 13, 2008) were owned in 2010 as compared to 2009 Additionally, the results in 2010 included an $18 million restructuring charge for plant closure costs associated with capacity reductions in the composites line of business within Performance Materials The results in 2009 included $47 million in nonrecurring purchase accounting adjustments related to inventory and in-process research and development associated with the Hercules acquisition and $74 million in severance, restructuring charges and plant closure costs for the ongoing integration and reorganization from the Hercules acquisition and other cost reduction programs Excluding the items above, operating results improved from 2009 to 2010 due partially to Ashland's focus on cost control and price management over the past year This cost control and price management, along with significant sales growth from increased volumes within all of Ashland's business segments, after excluding the effect of acquisitions and divestitures as compared to 2009, helped mitigate the effect of substantial raw material cost increases

Operating income for 2011, 2010 and 2009 included depreciation and amortization (including a $10 million in-process research and development charge during 2009) of $299 million, $280 million and $315 million, respectively EBITDA totaled $429 million, $529 million and $224 million for 2011, 2010 and 2009, respectively Adjusted EBITDA results in the table below have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items since management believes the use of such non-GAAP measures on a consolidated and business segment basis assists investors in understanding the ongoing operating performance by presenting the financial results between periods on a more comparable basis The inventory fair value adjustments of $16 million in 2011 and $37 million in 2009 relate to charges required by U S GAAP upon acquisition of a company's inventory The Hercules business results of $35 million in 2009 relate to the operating income earned and depreciation and amortization expense for the period in which Ashland did not yet own this business

(In millions)	2011	2010	2009
Operating income	$ 130	$ 249	$ (91)
Depreciation and amortization (a)	299	280	315
EBITDA	429	529	224
Actuarial loss on pension and other postretirement plan remeasurement	318	268	409
Severance	36	11	50
Environmental reserve adjustments	19	-	-
Casting Solutions transaction and start-up costs	2	-	-
Inventory fair value adjustment	16	-	37
Results of the Hercules business prior to acquisition	-	-	35
Plant closing costs	-	-	4
Currency gain on intracompany loan	-	-	(5)
Adjusted EBITDA	$ 820	$ 808	$ 754

(a) Includes $19 million, $7 million and $20 million of asset impairment and accelerated depreciation during 2011, 2010 and 2009, respectively, and a $10 million charge for purchased in-process research and development in 2009

Statements of Consolidated Income – caption review

A comparative analysis of the Statements of Consolidated Income by caption is provided as follows for the years ended September 30, 2011, 2010 and 2009

(In millions)	2011	2010	2009	2011 change	2010 change
Sales	$ 6,502	$ 5,741	$ 5,220	$ 761	$ 521

Sales for 2011 increased $761 million, or 13%, compared to 2010 primarily as a result of increases in pricing, implemented to recover the effects of increases in raw material costs, and volume increases, which increased sales $475 million and $142 million, respectively, or 11%, in total Favorable currency exchange rates and product mix increased sales $111 million and $11 million, respectively In addition, the net of acquisitions and divestitures, attributable to the acquisition of ISP in August of 2011, the divestiture of Pinova in January 2010, purchase of Ara Quimica in April 2010 and the contribution of the Casting Solutions business in November 2010, increased sales by $22 million

Sales for 2010 increased $521 million, or 10%, compared to 2009 primarily as a result of increases in volume and favorable currency exchange rates as price declines partially offset these increases During 2010, Ashland experienced solid volume growth as all operating segments reported volume increases, after excluding the effect of acquisitions and divestitures, which increased sales $466 million, or 9% Favorable currency exchange rates increased sales $76 million, or 1%, while net price and product mix decreased sales by $128 million, or 2% An additional increase in sales of $107 million, or 2%, occurred in 2010 from net acquisitions and divestitures attributable to the November 2008 acquisition of Hercules, the August 2009 divestiture of Drew Marine, the January 2010 divestiture of Pinova, and the April 2010 purchase of Ara Quimica

(In millions)	2011	2010	2009	2011 change	2010 change
Cost of sales	$ 4,890	$ 4,124	$ 3,850	$ 766	$ 274
Gross profit as a percent of sales	24 8%	28 2%	26 2%		

Cost of sales for 2011 increased $766 million, or 19%, compared to 2010 primarily due to escalating raw material costs, that increased cost of sales $570 million, or 14%, which includes a $13 million increase in cost of sales for net actuarial losses for defined benefit plans and other postretirement benefit plans Increased volume contributed an additional $66 million, or 2%, to cost of sales, while the net acquisitions and divestitures impact of ISP, Pinova, Ara Quimica and Casting Solutions caused an increase of $35 million, or 1% Currency exchange, due to the weakening of the U S dollar as compared to 2010, increased cost of sales by $80 million, or 2% Change in product mix increased cost of sales by $15 million

Cost of sales for 2010 increased $274 million, or 7%, compared to 2009 primarily due to increases in volume Volume increased cost of sales by $283 million, or 7% The net acquisitions and divestitures impact of Hercules, Drew Marine, Pinova and Ara Quimica represented an $82 million, or 2%, increase in cost of sales for 2010 The cost of production, which includes a decrease in cost of sales for net actuarial losses for defined benefit plans and other postretirement benefit plans of $52 million, and change in product mix decreased cost of sales by $107 million, or 3%, and $31 million, or 1%, respectively Currency exchange, due to the weakening of the U S dollar as compared to 2009, increased cost of sales by an additional $47 million, or 1%

(In millions)	2011	2010	2009	2011 change	2010 change
Selling, general and administrative expense	$ 1,442	$ 1,330	$ 1,399	$ 112	$ (69)
As a percent of sales	22 2%	23 2%	26 8%		

Selling, general and administrative expenses for the current period increased 8% compared to 2010 as expenses as a percent of sales declined 1 0 percentage point Expenses impacting the comparability of 2011 compared to 2010 included $35 million and $4 million for severance and restructuring charges during 2011 and 2010, respectively, net actuarial loss increase of $30 million for defined benefit pension plans and other postretirement benefit plans, and nonrecurring environmental reserve charges of $19 million in 2011 The currency exchange impact on selling, general and administrative expense resulted in a $15 million increase

Selling, general and administrative expenses for 2010 decreased 5% compared to 2009 as expenses as a percent of sales decreased 3 6 percentage points Expenses impacting the comparability of 2010 compared to 2009 included $4 million and

$50 million for severance and restructuring charges during 2010 and 2009, respectively, primarily due to the ongoing integration and reorganization from the Hercules acquisition, and a $21 million reduction in expenses during 2009 as a result of the employee furlough program In addition, 2009 excluded approximately $50 million of costs related to the former Hercules businesses due to the timing of the acquisition (44 days into the first quarter) The net actuarial losses for pension plans and other postretirement benefit plans declined $98 million in 2010 compared to 2009 Currency exchange also increased expenses by an additional $16 million, while the remaining increase related primarily to increases in incentive compensation during 2010 compared to 2009 For further information on cost saving initiatives see the "Key Developments" discussion within Management's Discussion and Analysis as well as Note F of Notes to Consolidated Financial Statements

(In millions)	2011	2010	2009	2011 change	2010 change
Research and development expense	$ 89	$ 86	$ 96	$ 3	$ (10)

Research and development expenses during 2011 increased $3 million as compared to 2010 The increase relates to the inclusion of ISP costs during the 39 day period owned in 2011, which added an additional $4 million compared to the prior year

Research and development expenses for 2010 decreased as compared to 2009 primarily as a result of a $10 million charge related to the purchased in-process research and development projects at Hercules as of the acquisition date that occurred in 2009

(In millions)	2011	2010	2009	2011 change	2010 change
Equity and other income					
Equity income	$ 17	$ 19	$ 14	$ (2)	$ 5
Other income	32	29	20	3	9
	$ 49	$ 48	$ 34	$ 1	$ 14

Total equity and other income increased 2% during 2011 compared to 2010 The decrease in equity income in fiscal 2011 primarily related to equity income from the Performance Materials business segment This decline was the result of the Ara Quimica joint venture purchased in April 2010 being removed from the 2011 period as well as operational results for the new global joint venture with Sud-Chemie that included certain start-up costs associated with the joint venture in fiscal 2011, essentially offsetting income from the joint venture with Sud-Chemie recorded during the year See Note D of Notes to Consolidated Financial Statements for additional information on this expanded global joint venture The increase in other income for 2011 compared to 2010 was attributable to increases associated with Water Technologies and other corporate activities

Total equity and other income increased 41% during 2010 compared to 2009 The increase in 2010 primarily relates to increased equity income from various joint venture affiliations and other income attributable to Consumer Markets, Performance Materials and other corporate activities

(In millions)	2011	2010	2009	2011 change	2010 change
Net interest and other financing (expense) income					
Interest expense	$ (131)	$ (198)	$ (215)	$ 67	$ 17
Interest income	16	12	21	4	(9)
Other financing costs	(6)	(11)	(11)	5	-
	$ (121)	$ (197)	$ (205)	$ 76	$ 8

The combined decrease, excluding interest income, in interest expense and other financing costs of $72 million in 2011 compared to 2010 was primarily attributable to a prior year $66 million accelerated amortization charge for deferred debt issuance costs and prepayment penalties associated with the senior credit facility refinancing in March of 2010 The 2011 period included a $12 million accelerated amortization charge for the early repayment of Ashland's $289 million term loan A balance and termination of the accounts receivable securitization facility in March 2011 Excluding these accelerated amortization charges in both periods, interest expense decreased $18 million, which was a result of reduced average levels of debt outstanding during 2011 as well as a reduction in the weighted-average interest rate for debt outstanding from 6 8% in 2010 to 6 5% in 2011

The combined decrease, excluding interest income, in interest expense and other financing costs of $17 million in 2010 compared to 2009 is a result of the significant decrease in debt outstanding of approximately $400 million compared to 2009 and a lower weighted-average interest rate as a result of the senior credit facility debt refinanced during 2010 Additionally, 2010 included $66 million of accelerated amortization of debt issuance costs and prepayment penalties associated with the senior credit facility refinancing Excluding this charge and the $18 million of accelerated amortization for the bridge loan extinguishment and prepayments made on both term loan A and term loan B facilities, interest expense and other financial costs decreased by $65 million during 2010 In conjunction with the Hercules acquisition, interest income in 2010 compared to 2009 also declined, as part of the funding to complete the acquisition was paid from Ashland's existing liquid investments in the first quarter of fiscal 2009 For further information on Ashland's debt, including rates paid and scheduled maturities, see Note I of Notes to Consolidated Financial Statements

(In millions)	2011	2010	2009	2011 change	2010 change
Net (loss) gain on acquisitions and divestitures					
Sud-Chemie joint venture	$ 23	$ -	$ -	$ 23	$ -
ISP transaction costs	(21)	-	-	(21)	-
Ara Quimica	-	23	-	(23)	23
MAP Transaction	(3)	(4)	3	1	(7)
Drew Marine	-	2	56	(2)	(54)
Other	(4)	-	-	(4)	-
	$ (5)	$ 21	$ 59	$ (26)	$ (38)

Net (loss) gain on acquisitions and divestitures during 2011 includes a $23 million remeasurement gain from Ashland's fair market value assessment of the Casting Solutions net assets contributed to the expanded joint venture with Sud-Chemie exceeding the previously recorded amounts in November 2010 In addition, Ashland incurred a $21 million charge in transaction costs associated with the ISP acquisition and a $3 million loss for the estimated present value of future tax deductions from the MAP Transaction Other items recorded during the current period include a $6 million gain associated with Ashland's sale of its 50% joint venture interest in Exaloid Süd-Chemie S L , a $7 million loss associated with the sale of its pentaerythritol business, and a $3 million charge for contingent environmental indemnifications associated with the sale of Pinova in 2010

Net (loss) gain on acquisitions and divestitures during 2010 includes the remeasurement gain from Ashland's previously held equity interest in Ara Quimica upon the purchase of the remaining 50% interest in April 2010 and subsequent adjustments to the 2005 transfer of Ashland's 38% interest in the Marathon Ashland Petroleum joint venture and two other small businesses to Marathon Oil Corporation (Marathon) (the MAP Transaction), along with a final closing gain associated with the sale of Drew Marine See Notes B and C of Notes to Consolidated Financial Statements for further discussion on acquisitions and divestitures

Net (loss) gain on acquisitions and divestitures for 2009 includes the sale of Drew Marine, as well as subsequent adjustments to the 2005 transfer of Ashland's 38% interest in Marathon

(In millions)	2011	2010	2009	2011 change	2010 change
Other income (expense)					
Loss on currency swaps	$ -	$ -	$ (54)	$ -	$ 54
(Loss) gain on auction rate securities	(1)	2	(32)	(3)	34
	$ (1)	$ 2	$ (86)	$ (3)	$ 88

Other income and expenses activity for 2011 and 2010 relates to auction rate security sales Other income and expense during 2009 included two significant nonrecurring charges related to the Hercules acquisition The first was a $54 million loss on currency swaps related to a swap associated with the Hercules acquisition Hercules had held a significant hedge against certain open currency swap positions that Ashland immediately settled upon the acquisition The second was a $32 million charge on auction rate securities as a result of a permanent realized loss on these securities due to the continued illiquid market these securities trade in and Ashland's change in intent to no longer hold these securities until maturity For further information on auction rate securities see the "Liquidity" discussion within Management's Discussion and Analysis as well as Note G of Notes to Consolidated Financial Statements

(In millions)	2011	2010	2009	2011 change	2010 change
Income tax benefit	$ (53)	$ (13)	$ (83)	$ (40)	$ 70
Effective tax rate	(1,766 7)%	(17 3)%	(25 7)%		

Income tax expense for 2011 included a tax benefit of $92 million for valuation allowance releases primarily related to state deferred tax assets, and tax expense of $60 million related to the repatriation of foreign earnings to the U S In addition, 2011 income tax expense included a benefit of $9 million for research and development credits, of which $4 million related to credits signed into law on a retroactive basis, and tax expense of $8 million associated with unfavorable tax adjustments related to the Sud-Chemie joint venture

Income tax expense for 2010 included a benefit of $17 million for the identification of additional U S research and development tax credits within the acquired Hercules businesses, a $5 million benefit from foreign results, and a benefit of $9 million related to a deferred tax balance adjustment In addition, income tax expense for 2010 included a benefit of $8 million attributable to a non-taxable book gain which was recorded as a result of the Ara Quimica acquisition

Income tax expense for 2009 included an $8 million valuation allowance on auction rate securities losses and increases in the resolution and re-evaluation of tax positions taken in prior years of $29 million These discrete expense items were partially offset by research and development credits of $9 million See Note L of Notes to Consolidated Financial Statements for a complete reconciliation of Ashland's tax provision for the last three years to the 35% U S statutory rate

(In millions)	2011	2010	2009	2011 change	2010 change
Income (loss) from discontinued operations					
(net of income taxes)					
Distribution	$ 333	$ 22	$ (14)	$ 311	$ 36
APAC	3	8	(6)	(5)	14
Asbestos-related litigation reserves	20	21	2	(1)	19
Electronic Chemicals	2	2	(3)	-	5
	$ 358	$ 53	$ (21)	$ 305	$ 74

The 2011 period includes a gain of $271 million on the sale of Distribution and two quarters of Distribution's operating results as compared to a full year of operating results for 2010 and 2009 as a result of the March 31, 2011 sale of the Distribution business to Nexeo The operational results for 2011, 2010 and 2009 were $62 million, $22 million and $(14) million, respectively, which includes the proportionate share of the pension and other postretirement actuarial gain or loss that was allocated to this business Distribution's sales for 2011, 2010 and 2009 included in discontinued operations were $1,868 million, $3,419 million and $3,020 million, respectively Gross profit margin, on a comparable basis, was 8 8% in 2011 compared to 9 3% in 2010 and 10 0% in 2009

During 2010, Ashland entered into a new agreement with a number of London market insurance companies with respect to coverage for asbestos-related insurance claims As a result, a $12 million increase to the Ashland asbestos receivable was recorded within the Consolidated Balance Sheet, which had a $9 million (after-tax) affect on the Statements of Consolidated Income within the discontinued operations caption As a result of this agreement and other revised estimates, Ashland no longer discounts any portion of the asbestos receivable

The remaining impacts within discontinued operations were favorable net adjustments (after-tax) to the asbestos reserve and related receivables for each year of $20 million, $12 million and $2 million, respectively, as a result of Ashland's ongoing assessment of these matters Additionally, subsequent tax adjustments were made each year to the gain on the sale of APAC (divested in 2006) and adjustments to environmental claims from the gain on the sale of Electronic Chemicals (divested in 2003) See Notes D and N of Notes to Consolidated Financial Statements for further information

RESULTS OF OPERATIONS – BUSINESS SEGMENT REVIEW

Results of Ashland's business segments are presented based on its management structure and internal accounting practices The structure and practices are specific to Ashland, therefore, the financial results of Ashland's business segments are not necessarily comparable with similar information for other comparable companies Ashland allocates all costs to its business segments except for certain significant company-wide restructuring activities, such as the current restructuring plans described in Note F of Notes to Consolidated Financial Statements, and other costs or adjustments that relate to former businesses that Ashland no longer operates Ashland refines its expense allocation methodologies to the reportable segments from time to time as internal accounting practices are improved, more refined information becomes available and businesses change Revisions to Ashland's methodologies that are deemed insignificant are applied on a prospective basis

As previously discussed, Ashland's businesses are managed along four industry segments Specialty Ingredients, Water Technologies, Performance Materials and Consumer Markets As a result of Distribution's sale to Nexeo, the operating results and assets and liabilities related to Distribution have been reflected as discontinued operations for all periods presented For additional information, see Note Q of Notes to Consolidated Financial Statements

During 2011, Ashland elected to change its method of recognizing actuarial gains and losses for its defined benefit pension plans and other postretirement benefit plans Previously, Ashland recognized the actuarial gains and losses as a component of Stockholders' Equity within the Consolidated Balance Sheet on an annual basis and amortized the gains and losses into operating results over the average future service period of active employees within the related plans Ashland has elected to immediately recognize the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement during a fiscal year The remaining components of pension and other postretirement benefits expense will be recorded on a quarterly basis While Ashland's historical policy of recognizing pension and other postretirement benefit expense is considered acceptable under U S GAAP, Ashland believes that the new policy is preferable as it eliminates the delay in recognizing gains and losses within operating results This change will also improve transparency within Ashland's operating results by immediately recognizing the effects of economic and interest rate trends on plan investments and assumptions in the year these gains and losses are actually incurred This change in accounting policy has been applied retrospectively, adjusting all prior periods presented

In connection with this change in accounting policy for pension and other postretirement benefits, Ashland also elected to change its method of accounting for certain costs included in inventory Ashland has elected to exclude the amount of its pension and other postretirement benefit costs applicable to inactive participants from inventoriable costs and charge them directly to cost of sales While Ashland's historical policy of including all pension and other postretirement benefit costs as a component of inventoriable costs was acceptable, Ashland believes that the new policy is preferable, as inventoriable costs will include costs that are directly attributable to current employees within cost of sales Applying this change retrospectively, in connection with the change in accounting for pension and other postretirement benefit costs, did not have a significant impact on previously reported inventory, cost of sales or segment reported results in any of the prior period financial statements

In addition, as a further attempt to properly match actual operational expenses each business segment is incurring, Ashland has changed its expense allocation for pension and other postretirement benefit plans during 2011 Previously, Ashland allocated all components of pension and other postretirement benefit plan expenses to each business segment on a ratable basis Ashland now allocates only the service cost component of these plans to the actual business segment that incurred this expense All other pension and other postretirement benefit plan expense components are recorded within the Unallocated and other reporting segment Ashland believes the revised expense allocation will more appropriately match the cost incurred for active employees to the respective business segment The financial information disclosed in the following tables for each business segment reflects the retrospective application of this expense allocation change on each period

The following table shows sales, operating income and statistical operating information by business segment for each of the last three years ended September 30

(In millions)	2011	2010	2009
Sales			
Specialty Ingredients	$ 1,256	$ 915	$ 812
Water Technologies	1,902	1,785	1,652
Performance Materials	1,373	1,286	1,106
Consumer Markets	1,971	1,755	1,650
	$ 6,502	$ 5,741	$ 5,220
Operating income (loss)			
Specialty Ingredients	$ 171	$ 125	$ 44
Water Technologies	93	130	95
Performance Materials	37	32	10
Consumer Markets	213	270	259
Unallocated and other	(384)	(308)	(499)
	$ 130	$ 249	$ (91)
Depreciation and amortization			
Specialty Ingredients (a)	$ 113	$ 99	$ 106
Water Technologies (a)	85	88	99
Performance Materials	59	53	63
Consumer Markets	38	36	36
Unallocated and other	4	4	11
	$ 299	$ 280	$ 315
Operating information			
Specialty Ingredients (b) (c) (d)			
Sales per shipping day	$ 4.3	$ 3.6	$ 3.7
Metric tons sold (thousands)	174.6	163.6	154.1
Gross profit as a percent of sales	32.9%	33.7%	26.7%
Water Technologies (b) (c)			
Sales per shipping day	$ 7.5	$ 7.1	$ 6.6
Gross profit as a percent of sales	30.8%	34.1%	33.9%
Performance Materials (b) (d)			
Sales per shipping day	$ 5.2	$ 5.1	$ 4.4
Pounds sold per shipping day	4.3	4.5	3.9
Gross profit as a percent of sales	13.1%	16.0%	17.0%
Consumer Markets (b)			
Lubricant sales gallons	171.3	174.3	158.8
Premium lubricants (percent of U.S. branded volumes)	31.3%	29.6%	28.2%
Gross profit as a percent of sales	27.3%	32.0%	32.0%

(a) Includes amortization for purchased in-process research and development of $5 million within both Specialty Ingredients and Water Technologies in 2009.

(b) Sales are defined as sales and operating revenues. Gross profit is defined as sales, less cost of sales.

(c) Industry segment results from November 14, 2008 forward include operations acquired from Hercules Incorporated.

(d) All statistical information presented excludes activity related to ISP, which was acquired on August 23, 2011. Sales from the acquired operations of ISP are included from the acquired date of August 23, 2011 and forward.

The EBITDA and adjusted EBITDA amounts presented below within this business section are provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for each segment. Each of these non-GAAP measures is defined as follows: EBITDA (operating income plus depreciation and amortization), adjusted EBITDA (EBITDA adjusted for key items, which may include pro forma affects for significant acquisitions or divestitures, as applicable), and adjusted EBITDA margin (adjusted EBITDA, which may include pro forma adjustments, divided by sales).

Specialty Ingredients

Specialty Ingredients, which was formerly known as Functional Ingredients, offers industry-leading products, technologies and resources for solving formulation and product performance challenges in a variety of markets including personal care, pharmaceutical, food and beverage, coatings, construction and energy.

On August 23, 2011, Ashland completed its acquisition of ISP, a global specialty chemical manufacturer of innovative functional ingredients and technologies, in a transaction valued at $3.2 billion. ISP reported sales of $1.9 billion for the twelve months ended September 30, 2011. Ashland has included ISP within the Specialty Ingredients reporting segment, with the exception of ISP's Elastomers business line, a business with $410 million of sales for the twelve months ended

September 30, 2011, which has been included within the Performance Materials reporting segment Sales for ISP's business prior to the acquisition and excluding Elastomers were $1,232 million and $1,085 million for the twelve months ended September 30, 2010 and 2009, respectively, while sales in 2011 prior to the August 23, 2011 acquisition were $1,284 million EBITDA for ISP's business prior to the acquisition and excluding Elastomers was $272 million and $218 million for the twelve months ended September 30, 2010 and 2009, respectively, while EBITDA in 2011 prior to the August 23, 2011 acquisition was $308 million

In November 2010, Specialty Ingredients' new hydroxyethylcellulose (HEC) production facility in Nanjing, China became operational At a cost of $90 million, the new facility represents Ashland's largest single investment in China and the Asia Pacific region This manufacturing facility increased Specialty Ingredients' HEC production capacity by 10,000 metric tons per year and can be expanded to produce up to 20,000 metric tons per year

In January 2010, Ashland sold its refined wood rosin and natural wood terpenes business, formerly known as Pinova, a business unit of Specialty Ingredients, to TorQuest Partners in a transaction valued at approximately $75 million before tax The Pinova business, with annual sales of approximately $85 million a year, had approximately 200 employees along with an associated manufacturing facility located in Brunswick, Georgia

In November 2008, Ashland acquired Hercules in a transaction valued at approximately $3 4 billion The acquired company included the Functional Ingredients business segment which is now part of the Specialty Ingredients business This former Hercules functional ingredients business, which reported sales of $112 million for the 44 day period prior to the acquisition in fiscal 2009, now forms one of Ashland's four current operating business segments

2011 compared to 2010

Specialty Ingredients' sales increased 37% to $1,256 million in 2011 compared to $915 million in 2010 The acquisition of ISP increased sales $157 million, or 17%, while higher pricing increased sales an additional $100 million, or 11% Volume increased sales $96 million, or 10%, during 2011 as metric tons sold increased to 174 6 thousand, when excluding volumes associated with the ISP acquisition and the Pinova divestiture Favorable currency exchange added $17 million, or 2%, to sales The divestiture of the Pinova business reduced sales $27 million, or 3%, compared to 2010, while the mix of product sold decreased sales an additional $2 million

Gross profit during 2011 increased $83 million compared to 2010 Increased volume improved gross profit by $71 million, while the acquisition of ISP increased gross profit an additional $31 million Pricing more than offset higher costs, causing an additional $9 million increase in gross profit, which included production start-up costs of approximately $3 million associated with the new Nanjing production facility Currency exchange during the current period increased gross profit $5 million Unfavorable product mix sold and the divestiture of Pinova reduced gross profit by $12 million and $5 million, respectively In addition, during 2011, gross profit was negatively affected by a nonrecurring charge of $16 million related to the fair value of inventory acquired from ISP In total, gross profit margin during 2011 decreased 0 8 percentage points to 32 9% compared to the prior period

Selling, general and administrative expenses (which include research and development expenses throughout the business segment discussion and analysis) increased $37 million, or 20%, during 2011 as compared to 2010, primarily due to increases from the ISP acquisition of $27 million and increases in salaries, benefits and incentive compensation of $10 million

Operating income totaled $171 million for the current year compared to $125 million in 2010 EBITDA increased $60 million, from $224 million in 2010 to $284 million in 2011 Adjusted EBITDA increased $76 million, from $224 million in 2010 to $300 million in 2011 Adjusted EBITDA margin declined 0 6 percentage points in 2011 from 24 5% in 2010 to 23 9% in 2011

2010 compared to 2009

Specialty Ingredients' sales increased 13% to $915 million compared to $812 million for the 321 day period this business was owned in 2009, which was due to the closing of the Hercules acquisition on November 13, 2008 The additional 44 days in 2010 contributed $112 million, or 14%, in sales, while the divestiture of Pinova in January of 2010 reduced sales by $59 million, or 7% Sales in 2009 included a significant nonrecurring transaction to an oilfield chemical supplier in the amount of $17 million, representing 5% of the product volume for 2009 Including this one-time sales transaction, volume increased sales by $85 million, or 10%, primarily due to strength in demand within the regulated and coatings markets, while an unfavorable currency exchange decreased sales by $5 million Price and product mix decreased sales by $30 million, or 4%, compared to 2009

Gross profit increased $92 million in 2010 compared to 2009 The additional 44 day period that the acquired operations of the Hercules business was owned in 2010 increased gross profit by $36 million Increased volume added an additional $55 million in gross profit as metric tons sold increased 6% to 163 6 thousand Price decreased gross profit by $48 million, while the divestiture of Pinova and currency exchange reduced gross profit by an additional $7 million and $2 million, respectively A favorable change in product mix added an additional $28 million in gross profit In addition, during 2009, gross profit was negatively affected by a nonrecurring charge of $30 million related to the fair value of inventory acquired from Hercules In total, gross profit margin during 2010 increased 7 0 percentage points to 33 7%

Selling, general and administrative expenses increased $12 million primarily as a result of the $20 million increase associated with the additional 44 day period that the acquired operations of the Hercules business was owned in 2010 Salaries, benefits and incentive compensation combined to increase expenses by $5 million in 2010, primarily due to the employee furlough program that was in place during 2009 These increases were partially offset by a nonrecurring $5 million in-process research and development charge recorded in 2009, which was associated with the valuation from the Hercules acquisition and severance and restructuring accruals of $10 million charged during 2009 Equity and other income increased by $1 million during 2010 as compared to 2009

Operating income totaled $125 million in 2010 compared to $44 million in 2009 EBITDA increased $74 million, from $150 million in 2009 to $224 million in 2010 Adjusted EBITDA increased $13 million, from $211 million in 2009 to $224 million in 2010 Adjusted EBITDA margin increased 1 7 percentage points in 2010 from 22 8% in 2009 to 24 5% in 2010

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA and adjusted EBITDA presentation for the three annual periods below is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Specialty Ingredients Adjusted EBITDA results have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items The inventory fair value adjustments of $16 million in 2011 and $30 million in 2009 relate to the portion of acquired inventory sold during the period that was recorded at fair value in conjunction with the acquisition of ISP and Hercules, respectively The Hercules business results of $21 million during 2009 relate to the operating income and depreciation and amortization recognized for the period in which Ashland did not yet own this business

	September 30		
(In millions)	2011	2010	2009
Operating income	$ 171	$ 125	$ 44
Depreciation and amortization (a)	113	99	106
EBITDA	284	224	150
Severance	-	-	10
Inventory fair value adjustment	16	-	30
Results of the Hercules business prior to acquisition	-	-	21
Adjusted EBITDA	$ 300	$ 224	$ 211

(a) Includes $5 million for purchased in-process research and development expensed in 2009

Water Technologies

Water Technologies is a leading specialty chemical supplier to the pulp, paper, mining, food and beverage, commercial and institutional, chemicals processing, general manufacturing, and municipal wastewater-treatment industries

In August 2009, Ashland sold its global marine services business known as Drew Marine, a business unit of Water Technologies, to J F Lehman & Co in a transaction valued at approximately $120 million before tax The Drew Marine business, with annual sales of approximately $140 million a year, had approximately 325 employees, 28 offices and 98 stocking locations in 47 countries The transaction resulted in an initial pretax gain of $56 million recorded in 2009, which is included in the net gain on acquisitions and divestitures caption of the Statements of Consolidated Income As part of this transaction, Ashland agreed to continue to manufacture certain products for Drew Marine

In November 2008, Ashland acquired Hercules, in a transaction valued at approximately $3 4 billion The acquired company included a significant global pulp, paper, and water treatment business This business, which had sales of $155 million for the 44 day period prior to the acquisition in fiscal 2009, was combined into Ashland's existing water technologies business to form a global water treatment business with significant scale worldwide

2011 compared to 2010

Water Technologies' sales increased 7% to $1,902 million in 2011 compared to $1,785 million in 2010 Higher product pricing increased sales $92 million, or 5%, while favorable currency exchange increased sales an additional $44 million, or 3% Volume decreased sales by $19 million, or 1%

Gross profit decreased $24 million in 2011 compared to 2010 Increased raw material costs were the primary factor in the gross profit decline as the business was unable to fully recover these and other cost increases during the current year, resulting in a $32 million decline, which included an accelerated amortization charge of $4 million for asset impairment charges associated with a plant closing Volume decreased gross profit $7 million These decreases, however, were partially offset by favorable currency exchange as compared to 2010, which increased gross profit by $15 million In total, gross profit margin during 2011 decreased 3 3 percentage points to 30 8% compared to 2010

Selling, general and administrative expenses increased $17 million during 2011 as compared to 2010, primarily as a result of severance charges of $9 million for reorganization activities, unfavorable foreign currency of $9 million, environmental charges of $7 million, and a $4 million increase in research and development expense These increases were partially offset by a $12 million net decrease in administration, technical and selling expense support In addition, equity and other income increased $4 million during 2011 as compared to 2010, primarily due to increased royalty income

Operating income totaled $93 million during 2011 compared to $130 million during 2010 EBITDA decreased $40 million, from $218 million in 2010 to $178 million in 2011 Adjusted EBITDA decreased $24 million, from $218 million in 2010 to $194 million in 2011 Adjusted EBITDA margin decreased 2 0 percentage points in 2011 from 12 2% in 2010 to 10 2% in 2011

2010 compared to 2009

Water Technologies' sales increased 8% to $1,785 million compared to $1,652 million in 2009 a direct result of the inclusion of the additional 44 day period that the Hercules paper business was owned in 2010, which contributed sales of $155 million, or 9% Additionally, volume and currency exchange increased sales $92 million and $31 million, respectively, for a total of 7%, compared to 2009 The previously mentioned divestiture of Drew Marine in August of 2009 reduced sales by $130 million, or 7%, compared to 2009, with unfavorable pricing adding an additional $20 million, or 1%, decline Change in product mix increased sales by $5 million

Gross profit increased $49 million in 2010 compared to 2009 The additional 44 day period that the acquired operations of the Hercules business was owned in 2010 increased gross profit by $47 million Volume and currency exchange increased gross profit by $31 million and $14 million, respectively, with pricing and product mix adding an additional $5 million and $2 million, respectively, in gross profit The divestiture of Drew Marine in August of 2009 reduced gross profit by $57 million compared to 2009 In addition, during 2009, gross profit was negatively affected by a nonrecurring charge of $7 million related to the fair value of inventory from the Hercules acquisition In total, gross profit margin during 2010 increased 0 2 percentage points to 34 1%

Selling, general and administrative expenses increased $12 million during 2010, or 2%, primarily as a result of the additional 44 day period the Hercules paper business was owned, which contributed an additional $30 million in expense when comparing to 2009 Foreign currency added an additional $9 million of expense, while the divestiture of Drew Marine and various cost saving initiatives, primarily integration and employee reduction activities, reduced expenses by approximately $18 million In addition, during 2009, the selling, general and administrative expenses were negatively affected by a nonrecurring charge of $5 million related to purchased in-process research and development projects and $4 million in severance, both a result of the Hercules acquisition Equity and other income decreased by $2 million during 2010 as compared to 2009

Operating income totaled $130 million in 2010 compared to $95 million during 2009 EBITDA increased $24 million, from $194 million in 2009 to $218 million in 2010 Adjusted EBITDA increased $3 million, from $215 million in 2009 to $218 million in 2010 Adjusted EBITDA margin increased 0 3 percentage points in 2010 from 11 9% in 2009 to 12 2% in 2010

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA and adjusted EBITDA presentation for the three annual periods below is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Water Technologies Adjusted EBITDA results have been prepared to illustrate the ongoing effects of Ashland's acquisition of Hercules, which exclude certain acquisition related charges, while assuming the acquisition of Hercules had been consummated on October 1, 2008 The inventory fair value adjustment of $7 million in 2009 relates to a charge required by U S GAAP upon acquisition of a company's inventory, which will not reoccur for this purchased inventory The Hercules paper business results of $10 million in 2009 relate to the operating income and depreciation and amortization recognized for the 44 day period in 2009 that this business was not owned

(In millions)	September 30 2011	2010	2009
Operating income	$ 93	$ 130	$ 95
Depreciation and amortization (a)	85	88	99
EBITDA	178	218	194
Severance	9	-	4
Environmental charges	7	-	-
Inventory fair value adjustment	-	-	7
Results of the Hercules business prior to acquisition	-	-	10
Adjusted EBITDA	$ 194	$ 218	$ 215

(a) Includes accelerated depreciation of $4 million in 2011 and $5 million for purchased in-process research and development expensed in 2009

Performance Materials

Performance Materials is a global producer of specialty resins and adhesives serving the construction, transportation, infrastructure, packaging and converting, marine and energy markets

On August 23, 2011, Ashland completed its acquisition of ISP, a global specialty chemical manufacturer of innovative functional ingredients and technologies, in a transaction valued at $3 2 billion ISP reported sales of $1 9 billion for the twelve months ended September 30, 2011 Ashland has included ISP within the Specialty Ingredients reporting segment, with the exception of ISP's Elastomers business line, a business with $410 million of sales for the twelve months ended September 30, 2011, which has been included within the Performance Materials reporting segment Sales for ISP's Elastomers business line prior to the acquisition were $237 million and $189 million for the twelve months ended September 30, 2010 and 2009, respectively, while sales in 2011 prior to the August 23, 2011 acquisition were $362 million EBITDA for ISP's Elastomers business line prior to the acquisition was $27 million and $23 million for the twelve months ended September 30, 2010 and 2009, respectively, while EBITDA in 2011 prior to the August 23, 2011 acquisition was $34 million

In July 2010, Ashland and Sud-Chemie AG (Sud-Chemie) signed an agreement for the formation of an expanded global joint venture serving the foundry chemical sector The transaction closed on November 30, 2010 and combined three businesses (i) Ashland's Casting Solutions business group, (ii) Sud-Chemie's Foundry-Products and Specialty Resins business unit, and (iii) Ashland-Sudchemie-Kernfest GmbH (ASK), the then existing 50% owned European-based joint venture between Ashland and Sud-Chemie, for which Ashland historically only recognized equity income of the joint venture within its consolidated results Ashland's Casting Solutions and ASK businesses recorded sales of $279 million and $145 million, respectively, during each businesses' most recent completed fiscal year prior to the closing The Foundry-Products and Specialty Resins business unit of Sud-Chemie contributed to the joint venture generated sales of approximately $146 million for its most recently completed fiscal year prior to the closing

Ashland's equity interest in the expanded joint venture qualifies for equity method accounting treatment under U S GAAP As a result, beginning on December 1, 2010, the results of the Performance Materials segment no longer includes the sales, cost of sales, selling, general and administrative expense and corresponding taxes related to the Casting Solutions business, however, Ashland includes the financial results of the joint venture within operating income of the Performance Materials segment and in the equity and other income caption of the Statements of Consolidated Income In addition, the expanded joint venture has resulted in certain stranded costs that Ashland is currently implementing cost reduction plans to eliminate

In April 2010, Ashland acquired the remaining 50% of Ara Quimica, a leading producer of custom unsaturated polyester resin formulations for the composites industry in South America, for $28 million Prior to the acquisition, Ashland owned a 50% interest in Ara Quimica which it accounted for as an equity-method investment within the Performance Materials reporting segment Ara Quimica reported sales of approximately $50 million for the year ended December 31, 2009, which was the most recent fiscal year prior to the acquisition Ashland recognized a pretax gain of $23 million as a result of valuing its prior equity interest held in Ara Quimica before the business combination at the current fair market price The gain is included in the net gain on acquisitions and divestitures caption on the Statements of Consolidated Income for the current period

2011 compared to 2010

Performance Materials' sales increased 7% to $1,373 million in 2011 compared to $1,286 million in 2010 Higher product pricing increased sales by $119 million, or 9%, primarily as a result of pricing increases in the composites line of business that were announced to fully offset increases in raw material costs Volume increased sales by $60 million, or 5%, as pounds sold per shipping day improved to 3 9 million during 2011 compared to 3 7 million in the prior year, excluding acquisitions and divestitures The acquisitions of ISP's Elastomers business and Ara Quimica contributed an additional

$48 million and $23 million, respectively, or 6% in total, in sales, while the exclusion of sales from December 2010 forward, related to the contribution of the Casting Solutions business into an expanded global joint venture, reduced sales $179 million, or 14% Currency exchange increased sales by $16 million, or 1%

Gross profit decreased $27 million in 2011 compared to 2010 Both 2011 and 2010 included plant closure charges of $15 million and $17 million, respectively, of which $15 million and $6 million, respectively, related to accelerated depreciation These charges were incurred as part of the previously announced capacity reduction within this business in reaction to a substantial overall decline in industry demand as well as Ashland's continued overall effort to optimize each businesses' cost structure The exclusion of the financial results for the Casting Solutions business decreased gross profit by $53 million Volume increased gross profit by $15 million, while pricing reduced gross profit $5 million The acquisitions of ISP's Elastomers business and Ara Quimica contributed an additional $8 million and $5 million, respectively, in gross profit during 2011 Currency exchange increased gross profit by $3 million In total, gross profit margin during 2011 decreased 2 9 percentage points to 13 1%, as compared to 2010

Selling, general and administrative expenses decreased $33 million, or 17%, during 2011 compared to 2010, primarily due to reductions in salaries, benefits and other related expenses associated with the transferred Casting Solutions business Equity and other income decreased $1 million during 2011 compared to 2010, primarily due to transaction and start-up costs associated with the new global joint venture with Sud-Chemie

Operating income totaled $37 million in 2011 compared to $32 million in 2010 EBITDA increased $11 million, from $85 million in 2010 to $96 million in 2011 Adjusted EBITDA increased $3 million to $99 million in 2011 Adjusted EBITDA margin decreased 0 3 percentage points to 7 2% in 2011

2010 compared to 2009

Performance Materials' sales increased 16% to $1,286 million compared to $1,106 million in 2009 Volume increased sales by $171 million, or 15%, as pounds sold per shipping day increased 15% to 4 5 million Pricing reduced sales by $38 million, or 3%, as weak demand over the prior year contributed to excess product supply within the market, resulting in downward pricing pressure, especially within the composites line of business A favorable currency exchange increased sales by $18 million, or 2%, and the acquisition of Ara Quimica contributed an additional $29 million, or 2%, in sales

Gross profit increased $16 million in 2010 compared to 2009 Both 2010 and 2009 included plant closure costs of $17 million for each period, of which $6 million and $14 million, respectively, related to accelerated depreciation Plant closure costs in both periods were the result of capacity reductions in reaction to a substantial overall decline in industry demand as well as Ashland's continued overall effort to optimize cost structure Volume and foreign currency increased gross profit by $59 million and $3 million, respectively, while the acquisition of Ara Quimica contributed an additional $7 million in gross profit These increases were partially offset by increases in raw material costs, which resulted in a $53 million decrease in gross profit In total, gross profit margin during 2010 decreased 1 0 percentage points to 16 0%, as compared to 2009

Selling, general and administrative expenses decreased $4 million, or 2%, compared to 2009, primarily due to various reductions associated with cost saving initiatives of $16 million, which were partially offset by incentive compensation and the inclusion of Ara Quimica expenses, which combined to increase expenses by $12 million Equity and other income increased $2 million during 2010 compared to 2009, primarily due to a $3 million charge in the prior period from a joint venture that closed a significant manufacturing facility

Operating income totaled $32 million in 2010 compared to $10 million in 2009 EBITDA increased $12 million, from $73 million in 2009 to $85 million in 2010 Adjusted EBITDA increased $11 million, from $85 million in 2009 to $96 million in 2010 Adjusted EBITDA margin decreased 0 2 percentage points in 2010 from 7 7% in 2009 to 7 5% in 2010

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA and adjusted EBITDA presentation for the three annual periods below is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Performance Materials Adjusted EBITDA results have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items

	September 30		
(In millions)	2011	2010	2009
Operating income	$ 37	$ 32	$ 10
Depreciation and amortization (a)	59	53	63
EBITDA	96	85	73
Severance	1	11	9
Plant closing costs	-	-	3
Casting Solutions joint venture start-up costs	2	-	-
Adjusted EBITDA	$ 99	$ 96	$ 85

(a) Includes $15 million $6 million and $14 million of accelerated depreciation during 2011, 2010 and 2009, respectively

Consumer Markets

Consumer Markets is a leading innovator and supplier of high-performance lubricants, automotive chemicals and appearance products, including those marketed under the Valvoline™ brands, and is an operator and franchisor of Valvoline Instant Oil Change™ centers

During 2011, Consumer Markets introduced a new automotive oil product line called Valvoline™ NextGen™ NextGen™ is the first major brand of motor oil in the industry made of 50% recycled oil, and like other Valvoline™ motor oils it is backed by Valvoline's engine guarantee Valvoline™ expects this new product to continue to enhance its overall position within the automotive oil industry

2011 compared to 2010

Consumer Markets' sales increased 12% to $1,971 million in 2011 compared to $1,755 million in 2010 Higher product pricing was the primary factor in sales growth between periods, resulting in a $163 million, or 9%, increase in sales A favorable currency exchange increased sales by $35 million, or 2%, while changes in product mix sold resulted in an additional $13 million, or 1%, increase in sales Volume increased sales by $5 million in the current year due to increased non-lubricant volumes associated with antifreeze and other products sold as lubricant gallons sold declined to 171 3 million gallons during 2011 compared to 174 3 million gallons in 2010

Gross profit decreased $24 million during 2011 compared to 2010 as raw material cost increases of $38 million were not fully offset by increases associated with product mix and currency exchange of $7 million and $10 million, respectively Volume decreased gross profit $3 million In total, gross profit margin during 2011 declined 4 7 percentage points to 27 3% as significant increases in raw material costs throughout the year primarily resulted in the lower gross margin compared to 2010

Selling, general and administrative expenses increased $30 million, or 9%, during 2011 as compared to 2010, primarily as a result of increases in advertising and consumer promotion of $19 million, which occurred to support and promote both the launch of the NextGen™ automotive oil product line and international growth, as well as increases in corporate allocations of $5 million and currency exchange of $5 million Equity and other income decreased by $3 million in 2011 essentially due to various asset sales that occurred during 2010

Operating income totaled $213 million in 2011 as compared to $270 million in 2010 EBITDA decreased $55 million from $306 million in 2010 to $251 million in 2011 EBITDA margin decreased 4 7 percentage points to 12 7% in 2011 compared to 17 4% in 2010 There were no unusual or key items that affected comparability for EBITDA during 2011 and 2010

2010 compared to 2009

Consumer Markets' sales increased 6% to $1,755 million in 2010 compared to $1,650 million in 2009 Volume increased sales by $119 million, or 7%, as the lubricant volume increase of 10% to 174 3 million gallons was primarily due to increases within the Do-It-Yourself, Do-It-For-Me and international market channels A favorable currency exchange increased sales by $32 million, or 2% These increases were partially offset by price declines in the first half of the year, which reduced sales by $47 million, or 3%, while changes in product mix resulted in a $1 million increase in sales

Gross profit increased $34 million in 2010 as compared to 2009 Volume increased gross profit by $34 million due to the 10% increase in lubricant sales Foreign currency increased gross profit by $13 million, while pricing and a change in product mix reduced gross profit by $11 million and $2 million, respectively In total, gross profit margin remained flat at 32 0% as price increases and various operational cost saving initiatives mitigated raw material cost inflation

Selling, general and administrative expenses increased $29 million, or 10%, during 2010 primarily due to increases in advertising costs of $7 million, foreign currency of $7 million and salary, benefits and incentive compensation of $12 million, which was partially related to the employee furlough program in place during the prior period Equity and other income increased by $6 million during 2010 compared to 2009, primarily due to increased equity income from various joint venture arrangements

Operating income totaled a record $270 million in 2010 as compared to $259 million for 2009 the previous operating income record EBITDA increased $11 million from $295 million in 2009 to $306 million in 2010 EBITDA margin decreased 0 5 percentage points in 2010 from 17 9% in 2009 to 17 4% in 2010 There were no unusual or key items that affected comparability for adjusted EBITDA during 2010 and 2009

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA presentation for the three annual periods below is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Consumer Markets There were no unusual or key items that affected comparability for adjusted EBITDA during 2011, 2010 and 2009

	September 30		
(In millions)	2011	2010	2009
Operating income	$ 213	$ 270	$ 259
Depreciation and amortization	38	36	36
EBITDA	$ 251	$ 306	$ 295

Unallocated and other

Unallocated and other recorded costs of $384 million for 2011, $308 million for 2010 and $499 million for 2009 Unallocated and other includes pension and other postretirement net periodic costs that have not been allocated to business segments These costs include interest cost, return on assets and net actuarial gains and losses as these items are considered financing activities managed at the corporate level, as opposed to service costs which are allocated to segments These costs totaled $304 million in 2011, $273 million in 2010 and $445 million in 2009

Other costs, other than pension and other postretirement net periodic costs described above, for 2011 primarily related to corporate costs previously allocated to Distribution of $36 million, $26 million for severance charges associated with Ashland's VSO program and the ongoing ISP integration, and $18 million for net environmental charges associated with adjustments to ongoing obligations of previously divested businesses

Other costs, other than pension and other postretirement net periodic costs described above, for 2010 primarily related to corporate costs previously allocated to Distribution of $31 million and a self-insured product liability claim of $4 million For 2009, remaining costs primarily related to corporate costs previously allocated to Distribution of $25 million, $31 million for severance and plant closure charges associated with the ongoing integration and reorganization of the Hercules acquisition and $3 million in due diligence costs associated with investment opportunities and other charges These charges were partially offset by a currency gain on an intracompany loan of $5 million

FINANCIAL POSITION

Liquidity

Ashland's cash flows from operating, investing and financing activities, as reflected in the Statements of Consolidated Cash Flows, are summarized as follows As of September 30, 2011, the amount of cash and cash equivalents held by foreign subsidiaries subject to currency controls, which may limit Ashland's ability to remit the funds to satisfy corporate obligations, was not significant

(In millions)	2011	2010	2009
Cash provided (used) by:			
Operating activities from continuing operations	$ 243	$ 551	$ 735
Investing activities from continuing operations	(2,102)	20	(2,108)
Financing activities from continuing operations	1,212	(435)	573
Discontinued operations	957	(61)	283
Effect of currency exchange rate changes on cash and cash equivalents	10	(10)	(17)
Net increase (decrease) in cash and cash equivalents	$ 320	$ 65	$ (534)

Operating activities

Cash flows generated from operating activities from continuing operations, a major source of Ashland's liquidity, amounted to $243 million in 2011, $551 million in 2010 and $735 million in 2009 The cash generated during each period is primarily driven by net income results, which includes a significant add back for noncash depreciation and amortization expense (including debt issuance cost amortization), and changes in working capital, which were fluctuations within accounts receivable, inventory, and trade and other payables Ashland continues to emphasize working capital management as a high priority and focus within the company

In 2011, a working capital outflow of $238 million was primarily a result of increased inventory resulting from the support of sales growth as well as restocking of certain base products that were low or in sold out positions during previous years Working capital also included reduced trade and other payable balances, primarily the result of decreased incentive compensation accruals

In 2010, a working capital outflow of $126 million was primarily a result of increased inventory and accounts receivable balances due to increased sales from volume and price increases, as compared to 2009 Working capital generated cash inflows of $123 million in 2009, as a result of Ashland's increased focus on the timely collection of accounts receivables, increased turns of inventory and more favorable vendor payment terms, as well as the severe declines in demand in 2009, which reduced sales (accounts receivable) and inventory levels and significantly contributed to reduced raw material and supply purchases

Operating cash flows for 2011 included income from continuing operations of $56 million, and noncash adjustments of $299 million for depreciation and amortization, $26 million for debt issuance cost amortization, and a $318 million actuarial loss on pension and postretirement plans Operating cash flows for 2010 included income from continuing operations of $88 million, and noncash adjustments of $280 million for depreciation and amortization, $81 million for debt issuance cost amortization, and a $268 million actuarial loss on pension and postretirement plans Operating cash flows for 2009 included a loss from continuing operations of $240 million and a noncash adjustment for depreciation and amortization of $305 million as well as significant nonrecurring charges from the Hercules acquisition and other items which included an inventory fair value adjustment and purchased in-process research and development amortization of $37 million and $10 million, respectively, debt issuance cost amortization of $52 million, a currency swap loss of $54 million, a $32 million loss on auction rate securities, and a $409 million actuarial loss on pension and postretirement plans These charges were offset by the gain associated with the Drew Marine sale of $56 million included in net income

Ashland contributed cash of $50 million to its qualified pension plans during 2011 compared to $62 million in 2010 and $47 million in 2009 and paid income taxes of $97 million during 2011 compared to $86 million in 2010 and $49 million in 2009 Cash receipts for interest income were $16 million in 2011, $12 million in 2010 and $21 million in 2009, while cash payments for interest expense amounted to $109 million in 2011, $118 million in 2010 and $198 million in 2009

Investing activities

Cash used by investing activities was $2,102 million and $2,108 million for 2011 and 2009, respectively, as compared to cash provided by investing activities of $20 million for 2010 The significant cash investing activity for 2011 included cash outflows of $1,992 million (net of cash acquired) for the purchase of ISP's operations in August of 2011 and $201 million for capital expenditures These cash outflows were partially offset by cash inflows of $76 million from the sale of operations, primarily related to the contribution of the expanded joint venture with Sud-Chemie, and $14 million from disposals of property, plant and equipment Proceeds from the sale of auction rate securities were $11 million in 2011

The significant cash investing activities for 2010 included cash inflows of $150 million related to the sale of auction rate securities and $64 million related to the Pinova and Drew Marine business sales, offset by cash outflows of $192 million and $23 million for capital expenditures and the purchase of the remaining 50% interest in the Ara Quimica business net of cash acquired, respectively Investing activities during 2010 also included cash inflows of $21 million from proceeds from disposals of property, plant and equipment

The significant cash investing activities for 2009 included cash outflows of $2,080 million (net of cash acquired) for the purchase of Hercules' operations in November 2008, $95 million for the settlement of currency interest rate swap hedges related to the acquisition and $165 million for capital expenditures These significant cash investing activities were offset by sales of auction rate securities during 2009 resulting in cash proceeds of $73 million and proceeds from the FiberVisions and Drew Marine sales of $114 million Investing activities during 2009 also included cash inflows of $45 million from proceeds from disposals of property, plant and equipment

Financing activities

Cash provided by financing activities was $1,212 million for 2011 and $573 million for 2009, as compared to cash used by financing activities of $435 million for 2010 Significant cash financing activities for 2011 included cash inflows of $2,900 million associated with long-term financing secured with a group of lenders for the acquisition of ISP and other net short-term and long-term debt proceeds of $22 million These cash inflows were partially offset by repayments of long-term debt of $1,513 million, which includes $1,196 million associated with payment of ISP's indebtedness in connection with the ISP acquisition and $289 million for Ashland's repayment of its previous term loan A in March 2011, $82 million in debt issuance costs paid, $71 million for the repurchase of common stock and cash dividends paid of $ 65 per share for a total of $51 million Financing activities also included cash inflows of $7 million for proceeds from the exercise of stock options and stock appreciation rights and excess tax benefits related to share-based payments

Significant cash financing activities for 2010 included repayments of long-term debt of $780 million, cash dividends paid of $ 45 per share, for a total of $35 million and $13 million in debt issue costs paid in connection with the Senior Credit Facility refinancing in March 2010 These cash outflows were partially offset by proceeds from long and short-term debt of $334 million and $48 million, respectively Financing activities also included cash inflows of $11 million for proceeds from the exercise of stock options and stock appreciation rights and excess tax benefits related to share-based payments

Significant cash financing activities for 2009 included cash inflows of $2,628 million associated with short-term and long-term financing secured with Bank of America Securities LLC, Scotia Capital (USA) Inc and other lenders for the acquisition of Hercules, including the subsequent 9 125% Senior Notes due 2017 issued in May 2009 for which the proceeds were used to extinguish the bridge loan facility under the interim credit agreement discussed further in Note I of Notes to Consolidated Financial Statements This cash inflow for 2009 was partially offset by cash used for the extinguishment of certain debt instruments that Hercules held as of the closing date of the acquisition, the extinguishment of the bridge loan facility, previously discussed, and other debt prepayments made subsequent to the Hercules acquisition that totaled $1,881 million In addition, $162 million in debt issue costs were paid in connection with securing the financing for the Hercules acquisition and the subsequent 9 125% Senior Notes due 2017 issued to replace the bridge loan facility In total, as a result of Ashland's focus and efficient execution on cash generation and savings opportunities, Ashland was able to reduce approximately $1 billion of the debt associated with the financing of the Hercules acquisition during 2009 Cash dividends paid during 2009 were $ 30 per common share and totaled $22 million

Cash provided by discontinued operations

Cash provided by discontinued operations for 2011 includes $955 million of net proceeds from the Distribution sale Each period includes the results of operations of the Distribution business, which amounted to cash inflows of $20 million in 2011 and $292 million in 2009 and cash outflows of $35 million in 2010 The remaining cash outflow fluctuations in each period related to other previously divested businesses and principally related to payment of asbestos and environmental liabilities

Free cash flow and other liquidity resources

The following represents Ashland's calculation of free cash flow for the disclosed periods

(In millions)	September 30 2011	2010	2009
Cash flows provided by operating activities from continuing operations	$ 243	$ 551	$ 735
Less			
Additions to property, plant and equipment	(201)	(192)	(165)
Cash dividends paid	(51)	(35)	(22)
Free cash flows	$ (9)	$ 324	$ 548

At September 30, 2011, working capital (current assets minus current liabilities, excluding long-term debt due within one year) amounted to $1,749 million, compared to $1,191 million at the end of 2010 Ashland's working capital is affected by its use of the LIFO method of inventory valuation that valued inventories below their replacement costs by $59 million at September 30, 2011 and $54 million at September 30, 2010 Liquid assets (cash, cash equivalents and accounts receivable) amounted to 128% of current liabilities at September 30, 2011, compared to 91% at September 30, 2010

The following summary reflects Ashland's cash, investment securities and unused borrowing capacity as of September 30, 2011, 2010 and 2009

(In millions)	September 30 2011	2010	2009
Cash and investment securities			
Cash and cash equivalents	$ 737	$ 417	$ 352
Auction rate securities	$ 10	$ 22	$ 170
Unused borrowing capacity			
Revolving credit facility	$ 914	$ 428	$ 264
Accounts receivable securitization facility (a)	$ -	$ 310	$ 198

(a) Ashland terminated the accounts receivable securitization facility in March 2011

Total borrowing capacity remaining under the $1 0 billion revolving credit facility was $914 million, representing a reduction of $86 million for letters of credit outstanding at September 30, 2011 In total, Ashland's available liquidity position, which includes cash and the revolving credit facility, was $1,651 million at September 30 2011 as compared to $1,155 million at September 30, 2010 and $814 million at September 30, 2009, which included $310 million in 2010 and $198 million in 2009 of available liquidity from the accounts receivable securitization facility terminated in March 2011 Total borrowing capacity was $1 0 billion in 2011, $550 million in 2010 and $400 million in 2009 for the revolving credit facility for each period In August 2011, Ashland increased the borrowing capacity under its revolving credit facility in conjunction with the ISP acquisition For further information see the "Key Developments" discussion within Management's Discussion and Analysis

Auction rate securities

At September 30, 2011 and 2010, Ashland held at par value $12 million and $25 million, respectively, in student loan auction rate securities for which there was not an active market with consistent observable inputs In February 2008, the auction rate securities market became largely illiquid, as there was not enough demand to purchase all of the securities that holders desired to sell at par value during certain auctions Since this time, the market for auction rate securities has failed to achieve equilibrium As of September 30, 2008, Ashland had recorded, as a component of stockholders' equity, a temporary $32 million unrealized loss on the portfolio As of that date, all the student loan instruments held by Ashland were AAA rated and collateralized by student loans which are substantially guaranteed by the U S government under the Federal Family Education Loan Program Ashland's estimate of fair value for auction rate securities as of September 30, 2008 was based on various internal discounted cash flow models and relevant observable market prices and quotes The assumptions within the models include credit quality, liquidity, estimates on the probability of each valuation model and the impact due to extended periods of maximum auction rates

During the first quarter of 2009, Ashland liquidated $20 million (par value) auction rate securities for $18 million in cash proceeds and recognized a loss of $2 million, which was the recorded book value of this instrument As a result of this sale, as well as Ashland's debt structure following the Hercules acquisition and the ongoing impact from the global economic downturn at that time, Ashland also determined during 2009 that it no longer had the intent to hold these instruments until their maturity date As a result, Ashland recorded the remaining $30 million unrealized loss as a permanent realized loss in the other expenses caption of the Consolidated Statement of Income A full valuation allowance was established for this tax benefit at December 31, 2008 because for tax purposes Ashland did not have capital gains to offset this capital loss For further information on income taxes, see Note L of Notes to Consolidated Financial Statements

The following details the auction rate securities sold during 2011, 2010 and 2009

(In millions)	2011	2010	2009
Par value	$ 12	$ 168	$ 83
Cash received	11	150	73
Gain or (loss)	(1)	2	(2)

At September 30, 2011, 2010 and 2009, auction rate securities were recorded at $10 million, $22 million and $170 million, respectively, and were classified as other noncurrent assets in the Consolidated Balance Sheets Due to the uncertainty as to when active trading will resume in the auction rate securities market, Ashland continues to believe the recovery period for certain of these securities may extend beyond a twelve-month period

Capital resources

Debt

The following summary reflects Ashland's debt as of September 30, 2011, 2010 and 2009

	September 30	
(In millions)	2011	2010
Short-term debt	$ 83	$ 71
Long-term debt (including current portion)	3,749	1,153
Total debt	$ 3,832	$ 1,224

On August 23, 2011, in conjunction with the ISP acquisition closing, Ashland entered into a $3 9 billion senior secured credit facility with a group of lenders (the Senior Credit Facility) The Senior Credit Facility is comprised of (i) a $1 5 billion term loan A facility, (ii) a $1 4 billion term loan B facility and (iii) a $1 0 billion revolving credit facility Proceeds from borrowings under the term loan A facility and the term loan B facility were used, together with cash on hand, to finance the cash consideration paid for the ISP acquisition, as well as to finance the repayment of existing indebtedness of ISP in connection with the acquisition On March 31, 2011, Ashland repaid its previous term loan A balance of $289 million with proceeds from the Distribution sale For further information see the "Key Developments" discussion within Management's Discussion and Analysis

The current portion of long-term debt was $101 million at September 30, 2011 and $45 million at September 30, 2010 Debt as a percent of capital employed was 48% at September 30, 2011 and 24% at September 30, 2010 At September 30, 2011 Ashland's total debt had an outstanding principal balance of $4,008 million and discounts of $176 million The scheduled aggregate maturities of debt for the next five fiscal years are as follows $184 million in 2012, $129 million in 2013, $176 million in 2014, $172 million in 2015 and $1,064 million in 2016

Based on Ashland's current debt structure included in Note I of Notes to Consolidated Financial Statements and the debt restructuring in conjunction with the closing of the ISP transaction on August 23, 2011, future annual interest expense is expected to range from approximately $220 million to $240 million based on applicable fixed and floating interest rates, assuming interest rates remain stable

Covenant restrictions

The current Senior Credit Facility includes similar covenants to the previous senior credit facility The covenants contain certain usual and customary representations and warranties, and usual and customary affirmative and negative covenants which include financial covenants for leverage and fixed charge coverage ratios, limitations on liens, additional indebtedness, further negative pledges, investments, payment of dividends, mergers, sale of assets and restricted payments, and other customary limitations As of September 30, 2011, Ashland is in compliance with all debt agreement covenant restrictions

The maximum consolidated leverage ratios permitted under the current Senior Credit Facility are as follows 4 00 from the closing date through March 31, 2012, 3 75 as of June 30, 2012, 3 50 as of September 30, 2012, 3 00 from the period December 31, 2012 through September 30, 2013 and 2 75 as of December 31, 2013 and each fiscal quarter thereafter

The current Senior Credit Facility defines the consolidated leverage ratio as the ratio of consolidated indebtedness minus cash and cash equivalents to consolidated EBITDA for any measurement period In general, the current Senior Credit Facility defines consolidated EBITDA as net income plus consolidated interest charges, taxes, depreciation and amortization expense, fees and expenses related to capital market transactions, restructuring and integration charges, noncash stock and equity compensation expense, and any other nonrecurring expenses or losses that do not represent a cash item in such period or any future period, less any noncash gains or other items increasing net income In general, consolidated indebtedness includes debt plus all purchase money indebtedness, banker's acceptances and bank guaranties, deferred purchase price of property or services, attributable indebtedness, and guaranties

The permitted consolidated fixed charge coverage ratios under the current Senior Credit Facility are 1 50 from the closing date through June 30, 2012, 1 75 as of September 30, 2012 and 2 00 as of December 31, 2012 and each fiscal quarter thereafter

The current Senior Credit Facility defines the consolidated fixed charge coverage ratio as the ratio of consolidated EBITDA less the aggregate amount of all cash capital expenditures to consolidated fixed charges for any measurement period In general consolidated fixed charges are defined as the sum of consolidated interest charges, the aggregate principal amount of all regularly scheduled principal payments and the aggregate amount of all restricted payments, which include any dividend or other distribution with respect to any capital stock or other equity interest

At September 30, 2011, Ashland's calculation of the consolidated leverage ratio per the refinancing was 2 8 compared to the maximum consolidated leverage ratio permitted under Ashland's senior credit agreement of 4 00 At September 30, 2011, Ashland's calculation of the fixed charge coverage ratio was 4 0 compared to the permitted consolidated ratio of 1 50 Any change in consolidated EBITDA of $100 million would have an approximate 3x effect on the consolidated leverage ratio and a 5x effect on the fixed charge coverage ratio Any change in consolidated indebtedness of $100 million would affect the consolidated leverage ratio by approximately 1x

Ashland projects that cash flow from operations and other available financial resources such as cash on hand and revolving credit should be sufficient to meet investing and financing requirements to enable Ashland to comply with the covenants and other terms of its financing obligations These projections are based on various assumptions that include, but are not limited to operational results, working capital cash generation, capital expenditures, pension funding requirements and tax payment and receipts

Stockholders' equity

Stockholders' equity increased $328 million since September 30, 2010 to $4,135 million at September 30, 2011 This increase was primarily due to net income during the year of $414 million, $33 million from common shares issued under stock incentive and other plans and pension and postretirement obligations of $33 million partially offset by common shares repurchased of $71 million, regular cash dividends of $51 million, deferred translation losses of $18 million and unrealized losses on interest rate swaps of $12 million

In March 2011, the Board of Directors of Ashland approved a $400 million stock repurchase program Under the program that began on April 1, 2011, Ashland purchased common shares through a $200 million 10b5-1 automatic trading plan Effective May 31, 2011, as a result of the announcement of the pending ISP acquisition, Ashland terminated the 10b5-1 automatic trading program Purchases under the plan amounted to $71 million, or 1 2 million shares Ashland still has the ability to make discretionary purchases of Ashland Common Stock on the open market, pursuant to the Board's original $400 million share repurchase authorization

In May 2011, the Board of Directors of Ashland announced a quarterly cash dividend of 17 5 cents per share, 70 cents per share on an annual basis, to eligible shareholders of record This amount was paid for quarterly dividends in June and September 2011, and was an increase from the quarterly cash dividend of 15 cents per share paid during the first and second quarters of fiscal 2011 During the prior year, a quarterly cash dividend of 7 5 cents per share was paid for the first and second quarters, while 15 cents per share was paid for the third and fourth quarters In conjunction with Ashland's existing debt facilities, Ashland is subject to various covenants that may restrict certain future payments, which could include quarterly dividend payments, although Ashland does not anticipate that will occur

Capital expenditures

Ashland is currently forecasting approximately $350 million of capital expenditures for fiscal 2012 funded primarily from operating cash flows Capital expenditures, excluding Distribution, were $201 million for 2011 and averaged $186 million during the last three years Under the current Senior Credit Facilities agreement entered into in August 2011, Ashland is no longer subject to a capital expenditure limit

A summary of the capital employed in Ashland's current operations as of the end of the last three years follows

(In millions)	2011	2010	2009
Capital employed			
Specialty Ingredients	$ 5,763	$ 2,528	$ 2,684
Water Technologies	1,646	1,656	1,663
Performance Materials	1,205	811	750
Consumer Markets	676	578	588

Contractual obligations and other commitments

The following table aggregates Ashland's obligations and commitments to make future payments under existing contracts at September 30, 2011 Contractual obligations for which the ultimate settlement of quantities or prices are not fixed and determinable have been excluded

(In millions)	Total	2012	2013-2014	2015-2016	Later years
Contractual obligations					
Raw material and service contract purchase obligations (a)	$ 520	$ 94	$ 158	$ 99	$ 169
Employee benefit obligations (b)	511	146	80	82	203
Operating lease obligations (c)	215	52	69	41	53
Debt (d)	4,008	184	305	1,236	2,283
Debt interest payments (e)	1,336	228	390	277	441
Unrecognized tax benefits (f)	160	-	-	-	160
Total contractual obligations	$ 6,750	$ 704	$ 1,002	$ 1,735	$ 3,309
Other commitments					
Letters of credit (g)	$ 86	$ 86	$ -	$ -	$ -

(a) Includes raw material and service contracts where minimal committed quantities and prices are fixed

(b) Includes estimated funding of Ashland's qualified U S and non-U S pension plans for 2011, as well as projected benefit payments through 2021 under Ashland's unfunded pension and other postretirement benefit plans See Note M of Notes to Consolidated Financial Statements for additional information

(c) Includes leases for office buildings, retail outlets, transportation equipment, warehouses and storage facilities and other equipment For further information, see Note K of Notes to Consolidated Financial Statements

(d) Capitalized lease obligations are not significant and are included within this caption For further information, see Note I of Notes to Consolidated Financial Statements

(e) Includes interest expense on both variable and fixed rate debt assuming no prepayments Variable interest rates have been assumed to remain constant through the end of the term at rates that existed as of September 30, 2011

(f) Due to uncertainties in the timing of the effective settlement of tax positions with respect to taxing authorities, Ashland is unable to determine the timing of payments related to noncurrent unrecognized tax benefits, including interest and penalties Therefore, these amounts were principally included in the "Later years column

(g) Ashland issues various types of letters of credit as part of its normal course of business For further information, see Note I of Notes to Consolidated Financial Statements

OFF-BALANCE SHEET ARRANGEMENTS

As part of its normal course of business, Ashland is a party to various financial guarantees and other commitments These arrangements involve elements of performance and credit risk that are not included in the Consolidated Balance Sheets The possibility that Ashland would have to make actual cash expenditures in connection with these obligations is largely dependent on the performance of the guaranteed party, or the occurrence of future events that Ashland is unable to predict Ashland has reserved the approximate fair value of these guarantees in accordance with U S GAAP

NEW ACCOUNTING PRONOUNCEMENTS

For a discussion and analysis of recently issued accounting pronouncements and its impact on Ashland, see Note A of Notes to Consolidated Financial Statements

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The preparation of Ashland's Consolidated Financial Statements in conformity with U S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses, and the disclosures of contingent assets and liabilities Significant items that are subject to such estimates and assumptions include, but are not limited to, long-lived assets (including goodwill and other intangible assets), employee benefit obligations, income taxes, other liabilities and receivables associated with asbestos litigation and environmental remediation Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ significantly from the estimates under different assumptions or conditions Management has reviewed the estimates affecting these items with the Audit Committee of Ashland's Board of Directors

Long-lived assets

Tangible assets

The cost of property, plant and equipment is depreciated by the straight-line method over the estimated useful lives of the assets Buildings are depreciated principally over 25 to 35 years and machinery and equipment principally over 4 to 25 years Ashland reviews property, plant and equipment asset groups for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable Ashland monitors these changes and events on at least a quarterly basis Examples of events or changes in circumstances could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset group, or a current expectation that an asset group will be sold or disposed of before the end of its previously estimated useful life Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the property, plant and equipment asset groups, as well as specific appraisals in certain instances Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other property, plant and equipment asset groups If the future undiscounted cash flows result in a value that is less than the carrying value, then the long-lived asset is considered impaired and a loss is recognized based on the amount by which the carrying amount exceeds the estimated fair value Various factors that Ashland uses in determining the impact of these assessments include the expected useful lives of long-lived assets and our ability to realize any undiscounted cash flows in excess of the carrying amounts of such asset groups, and are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows Because judgment is involved in determining the fair value of property, plant and equipment asset groups, there is risk that the carrying value of these assets may require adjustment in future periods

Asset impairment charges are included within the selling, general and administrative expense caption of the Statements of Consolidated Income and were $13 million in 2011, $1 million in 2010 and $3 million in 2009 Total depreciation expense on property, plant and equipment for 2011, 2010 and 2009 was $225 million, $212 million and $237 million, respectively Depreciation expense for 2011, 2010 and 2009 included $6 million, $6 million and $17 million, respectively, in accelerated depreciation related to the closure of plant facilities, included within the cost of sales caption of the Statements of Consolidated Income Capitalized interest for 2011, 2010 and 2009 was $1 million, $2 million and $3 million, respectively

Goodwill

In accordance with U S GAAP, Ashland reviews goodwill and other intangible assets for impairment either annually or when events and circumstances indicate an impairment may have occurred This annual assessment is performed as of July 1 and consists of Ashland determining each reporting unit's current fair value compared to its current carrying value Ashland has determined that its reporting units for allocation of goodwill include the Specialty Ingredients, Water Technologies, Consumer Markets and Performance Materials segments Within the Performance Materials reportable segment, because further discrete financial information is provided and management regularly reviews this information, this reportable segment is further broken down into the Casting Solutions and Composite Polymers/Specialty Polymers and Adhesives reporting units Goodwill associated with each of these reporting units as of September 30, 2011 was $2,092 million for Specialty Ingredients, $676 million for Water Technologies, $166 million for Consumer Markets, and $357 million for Composites and Adhesives Due to the formation of the global joint venture with Sud-Chemie in November 2010, there is no goodwill associated with Casting Solutions as of September 30, 2011

When externally quoted market prices of Ashland's reporting units are not readily available, Ashland makes various estimates and assumptions in determining the estimated fair values of those units through the use of discounted cash flow models Discounted cash flow models are highly reliant on various assumptions Significant assumptions Ashland utilized in these models for the current year included projected business results and future industry direction, long-term growth factors (ranging from 3% to 5%) and weighted-average cost of capital, which ranged from 10% to 11 5% Ashland uses assumptions that it deems to be conservative estimates of likely future events and compares the total fair values of each reporting unit to Ashland's market capitalization, and implied control premium, to determine if the fair values are reasonable compared to external market indicators Subsequent changes in these key assumptions could affect the results of future goodwill impairment reviews

In conjunction with the July 1 annual assessment of goodwill, Ashland's valuation techniques did not indicate any impairment Each reporting unit's fair value was significantly over its carrying values, except for the Specialty Ingredients reporting unit, whose calculated fair value exceeded its carrying value by over 20% Based on the sensitivity analysis performed on two key assumptions in the current year discounted cash flow model, a negative 1% change in either the long-term growth factor or weighted-average cost of capital assumptions for this reporting unit would have resulted in a fair value modestly above its current carrying value In calculating the fair value of Specialty Ingredients within the model, Ashland assumed a long-term growth factor of 5% and a weighted-average cost of capital of 10%, which are consistent with the prior year's model The current year's weighted-average cost of capital of 10% is considered by Ashland to be conservative based on Ashland's significantly lower overall weighted-average borrowing rate at September 30, 2011 of 6 5% as well as the general overall lower interest rate environment that currently exists in the credit markets Ashland believes that the current fair value results of the Specialty Ingredients reporting unit are positive given that this business was recently purchased and recorded at fair value in early fiscal 2009 The current year discounted cash flow model result, which is an increase in fair value over the previous year's model, indicates the business is capitalizing on growth opportunities and cost synergies that existed at the outset of the purchase of the business Assuming no changes in key assumptions identified, Ashland currently anticipates the future fair value of the Specialty Ingredients reporting unit to continue to increase over time

Ashland compared and assessed the total fair values of the reporting units to Ashland's market capitalization at the annual assessment date, including the implied control premium, to determine if the fair values are reasonable compared to external market indicators While Ashland's current market capitalization total approximates its current carrying value, the discounted cash flow models for each reporting unit summed together exceeded Ashland's carrying value by a significant amount as of Ashland's annual impairment testing date Ashland believes its use of significant assumptions within its valuation models are reasonable estimates of likely future events Because the fair value results for each reporting unit did not indicate a potential impairment existed, Ashland did not recognize any goodwill impairment during 2011, 2010 and 2009 Subsequent to this annual impairment test, no indications of an impairment were identified

As of September 30, 2011, Ashland recorded goodwill of approximately $1,185 million in conjunction with the purchase of ISP in August 2011 Specialty Ingredients recorded $1,007 million and Performance Materials recorded $71 million of goodwill associated with the ISP transaction In connection with the goodwill associated with this acquisition, Ashland determined that a certain amount of the goodwill should be allocated to all reporting units because each reporting unit will benefit from synergies related to the acquisition that will increase these businesses' overall reported profitability Ashland calculated the increased value each reporting unit is expected to receive from the estimated synergy savings in determining the appropriate amount of goodwill to allocate for this acquisition, which totaled the following $55 million for Water Technologies and $52 million for Consumer Markets

Other indefinite-lived intangible assets

Other indefinite-lived intangible assets include certain trademarks and trade names These assets had a carrying value of $464 million as of September 30, 2011 Ashland reviews these intangible assets for possible impairment annually or whenever events or changes in circumstances indicate that carrying amounts may not be recoverable Ashland tests these indefinite-lived intangible assets, using a "relief-from-royalty" valuation method compared to the carrying value Significant assumptions inherent in the valuation methodologies for these intangibles include, but are not limited to, such estimates as projected business results, growth rates, weighted-average cost of capital, which ranged from 11% to 13%, and royalty (ranging from 0 5% to 6%) In conjunction with the July 1 annual assessment of indefinite-lived intangible assets, Ashland's models did not indicate any impairment, as each indefinite-lived intangible asset's fair value exceeded their carrying values

Ashland's assessment of an impairment charge on any of these assets classified currently as having indefinite lives, including goodwill, could change in future periods if any or all of the following events were to occur with respect to a particular reporting unit a significant change in projected business results, a divestiture decision, negative change in Ashland's weighted-average cost of capital rates, growth rates or other assumptions, economic deterioration that is more severe or of a longer duration than anticipated, or another significant economic event For further information, see Note H of Notes to Consolidated Financial Statements

IPR&D

Ashland has identified approximately $135 million of acquired in-process research and development (IPR&D) projects within the Specialty Ingredients business that, as of the date of the ISP acquisition, had not established technological feasibility With the adoption of ASC Topic 805, "Business Combinations," on October 1, 2009, identified IPR&D acquired in a business combination is capitalized and tested for impairment quarterly Ashland used various valuation models based on discounted probable future cash flows on a project-by-project basis in identifying 23 separate projects as distinct assets, with the largest project value assessed at $12 million

These identified projects as of the acquisition date vary with respect to stage of completion As of September 30, 2011, the nature and timing of the remaining efforts of completion of these projects are not determinable, along with Ashland's anticipated benefits from the IPR&D The future feasibility of these assets will be evaluated on a quarterly basis by Ashland or when a significant event has been deemed to have occurred For further information, see Note H of Notes to Consolidated Financial Statements

Employee benefit obligations

Pension plans

Ashland and its subsidiaries sponsor contributory and noncontributory qualified defined benefit pension plans that cover certain employees in the United States and in a number of other countries In addition, Ashland has non-qualified unfunded pension plans which provide supplemental defined benefits to those employees whose benefits under the qualified pension plans are limited by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code Ashland funds the costs of the non-qualified plans as the benefits are paid Pension obligations for applicable employees of non-U S consolidated subsidiaries are provided for by depositing funds with trustees or by book reserves in accordance with local practices and regulations of the respective countries For further information, see Note M of Notes to Consolidated Financial Statements

Other postretirement benefit plans

Ashland and its subsidiaries sponsor health care and life insurance plans for eligible employees in the U S and Canada who retire or are disabled Ashland's retiree life insurance plans are noncontributory, while Ashland shares the costs of providing health care coverage with its retired employees through premiums, deductibles and coinsurance provisions Ashland funds its share of the costs of the postretirement benefit plans as the benefits are paid For further information, see Note M of Notes to Consolidated Financial Statements

Change in accounting policy regarding pension and other postretirement benefits

During 2011, Ashland elected to change its method of recognizing actuarial gains and losses for its defined benefit pension plans and other postretirement benefit plans Previously, Ashland recognized the actuarial gains and losses as a component of Stockholders' Equity within the Consolidated Balance Sheet on an annual basis and amortized the gains and losses into operating results over the average future service period of active employees within the related plans Ashland has elected to immediately recognize the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement during a fiscal year The remaining components of pension and other postretirement benefits expense will be recorded on a quarterly basis While Ashland's historical policy of recognizing pension and other postretirement benefit expense is considered acceptable under U S GAAP, Ashland believes that the new policy is preferable as it eliminates the delay in recognizing gains and losses within operating results This change will also improve transparency within Ashland's operating results by immediately recognizing the effects of economic and interest rate trends on plan investments and assumptions in the year these gains and losses are actually incurred This change in accounting policy has been applied retrospectively, adjusting all prior periods presented

Change in expense allocation for pension and other postretirement benefit plans

As discussed in Notes A and M of Notes to Consolidated Financial Statements, Ashland elected during 2011 to change its method of recognizing actuarial gains and losses for its defined benefit pension and other postretirement benefit plans In connection with this change in accounting policy for pension and other postretirement benefits, Ashland also elected to change its method of accounting for certain costs included in inventory Ashland has elected to exclude the amount of its pension and other postretirement benefit costs applicable to inactive participants from inventoriable costs and charge them directly to cost of sales While Ashland's historical policy of including all pension and other postretirement benefit costs as a component of inventoriable costs was acceptable, Ashland believes that the new policy is preferable, as inventoriable costs will only include costs that are directly attributable to current employees Applying this change retrospectively, in connection with the change in accounting for pension and other postretirement benefit costs, did not have a significant impact on previously reported inventory, cost of sales or segment reported results in any of the prior period financial statements The financial information disclosed in the following tables for each business segment reflects the retrospective application of this expense allocation change on each period

In addition, as a further attempt to properly match actual operational expenses each business segment is incurring, Ashland has changed its expense allocation for pension and other postretirement benefit plans during 2011 Previously, Ashland allocated all components of pension and other postretirement benefit plan expenses to each business segment on a ratable basis Ashland now allocates only the service cost component of these plans to the actual business segment that incurred this expense All other pension and other postretirement benefit plan expense components are recorded within the Unallocated and other reporting segment Ashland believes the revised expense allocation will more appropriately match the cost incurred for active employees to the respective business segment The financial information disclosed in the following tables for each business segment reflects the retrospective application of this expense allocation change on each period

Actuarial assumptions

Ashland's pension and other postretirement obligations and annual expense calculations are based on a number of key assumptions including the discount rate at which obligations can be effectively settled, the anticipated rate of compensation increase, the expected long-term rate of return on plan assets and certain employee-related factors, such as turnover, retirement age and mortality Because Ashland's retiree health care plans contain various caps that limit Ashland's contributions and because medical inflation is expected to continue at a rate in excess of these caps, the health care cost trend rate has no material impact on Ashland's postretirement health care benefit costs

Ashland developed the discount rate used to determine the present value of its obligations under the U S pension and postretirement health and life plans by matching the stream of benefit payments from the plans to the Mercer Pension Discount Yield Curve Spot Rates Ashland uses this approach to reflect the specific cash flows of these plans for determining the discount rate The discount rate determined as of September 30, 2011 was 4 70% for the U S pension plans and 4 38% for the postretirement health and life plans Non-U S pension plans followed a similar process based on financial markets in those countries where Ashland provides a defined benefit pension plan

Ashland's expense under both U S and non-U S pension plans is determined using the discount rate as of the beginning of the fiscal year, which amounted to a weighted-average rate of 5 01% for 2011, 5 82% for 2010 and 7 81% for 2009 The rates used for the postretirement health and life plans were 4 68% for 2011, 5 50% for 2010 and 7 78% for 2009 The 2012 expense for the pension plans will be based on a weighted-average discount rate of 4 76%, while 4 39% will be used for the postretirement health and life plans

The weighted-average rate of compensation increase assumptions were 3 66% for 2011, 3 67% for 2010 and 3 73% for 2009 The compensation increase assumptions for the U S plans were 3 75% for 2011, 3 75% for 2010 and 3 75% for 2009 The rate of the compensation increase assumption for the U S plans will remain at 3 75% in determining Ashland's pension costs for 2012

The weighted-average long-term expected rate of return on assets was assumed to be 7 68% for 2011, 7 90% in 2010 and 7 97% in 2009 The long-term expected rate of return on assets for the U S plans was assumed to be 8 25% for 2011, 8 25% in 2010 and 8 25% in 2009 For 2011, the U S pension plan assets generated an actual return of 4 73%, compared to a gain of 12 34% in 2010 and 15 90% in 2009 However, the expected return on plan assets is designed to be a long-term assumption, and actual returns will be subject to considerable year-to-year variances Ashland has generated compounded annual investment returns of 5 88% and 7 46% on its U S pension plan assets over the last five-year and ten-year periods Ashland estimates total fiscal 2012 pension costs for U S and non-U S pension plans to be approximately $5 million, which excludes the impact of actuarial gains or losses, and expects to contribute $25 million to its non-U S pension plans and approximately $95 million to its U S pension plans in cash

Shown below are the estimated increases in pension and postretirement expense that would have resulted from a one percentage point change in each of the assumptions for each of the last three years

(In millions)	2011	2010	2009
Increase in pension costs from			
Decrease in the discount rate	$ 498	$ 487	$ 394
Increase in the salary adjustment rate	50	53	45
Increase in other postretirement costs from			
Decrease in the discount rate	27	35	30

Income taxes

Ashland is subject to income taxes in the United States and numerous foreign jurisdictions Significant judgment in the forecasting of taxable income using historical and projected future operating results is required in determining Ashland's provision for income taxes and the related assets and liabilities The provision for income taxes includes income taxes paid, currently payable or receivable, and those deferred Under U S GAAP, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse Deferred tax assets are also recognized for the estimated future effects of tax loss carryforwards The effect on deferred taxes of changes in tax rates is recognized in the period in which the enactment date changes Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts expected to be realized In the event that the actual outcome of future tax consequences differs from Ashland's estimates and assumptions due to changes or future events such as tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans, the resulting change to the provision for income taxes could have a material affect on the Consolidated Statement of Income and Consolidated Balance Sheet

The recoverability of deferred tax assets and the recognition and measurement of uncertain tax positions are subject to various assumptions and judgment by Ashland If actual results differ from the estimates made by Ashland in establishing or maintaining valuation allowances against deferred tax assets, the resulting change in the valuation allowance would generally impact earnings or other comprehensive income depending on the nature of the respective deferred tax asset Additionally, the positions taken with regard to tax contingencies may be subject to audit and review by tax authorities, which may result in future taxes, interest and penalties Positive and negative evidence is considered in determining the need for a valuation allowance against deferred tax assets, which includes such evidence as historical earnings, projected future earnings, tax planning strategies, and expected timing of reversal of existing temporary differences

In determining the recoverability of deferred tax assets Ashland gives consideration to all available positive and negative evidence including reversals of deferred tax liabilities (other than those with an indefinite reversal period), projected future taxable income, tax planning strategies, and recent financial operations Ashland attaches the most weight to historical earnings due to their verifiable nature In evaluating the objective evidence that historical results provide we consider three years of cumulative income or loss In addition, Ashland has reflected increases and decreases in our valuation allowance based on the overall weight of positive versus negative evidence on a jurisdiction by jurisdiction basis

As a result of the Hercules acquisition during 2009, significant historical tax positions and structures related to Hercules have been combined within Ashland Some of these previous tax positions and structures from Hercules required a complete reassessment regarding certain of Ashland's pre-acquisition tax positions and structures As such, material changes in certain tax matters may occur in the future based on deviations from Ashland's current estimates and assumptions in combining these tax positions and structures For additional information, see Note L of Notes to Consolidated Financial Statements

Asbestos litigation

Ashland and Hercules, a wholly-owned subsidiary of Ashland, have liabilities from claims alleging personal injury caused by exposure to asbestos To assist in developing and annually updating independent reserve estimates for future asbestos claims and related costs given various assumptions, Ashland retained Hamilton, Rabinovitz & Associates, Inc (HR&A) The methodology used by HR&A to project future asbestos costs is based largely on recent experience, including claim-filing and settlement rates, disease mix, enacted legislation, open claims, and litigation defense The claim experience of Ashland and Hercules are separately compared to the results of previously conducted third party epidemiological studies estimating the number of people likely to develop asbestos-related diseases Those studies were undertaken in connection with national analyses of the population expected to have been exposed to asbestos Using that information, HR&A estimates a range of the number of future claims that may be filed, as well as the related costs that may be incurred in resolving those claims See Note N of Notes to Consolidated Financial Statements for additional information

Ashland asbestos-related litigation

The claims alleging personal injury caused by exposure to asbestos asserted against Ashland result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley), a former subsidiary Because claims are frequently filed and settled in large groups, the amount and timing of settlements and number of open claims can fluctuate significantly from period to period

Ashland asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs, which generally approximates the mid-point of the estimated range of exposure from model results Ashland reviews this estimate and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 50-year model developed with the assistance of HR&A

During the most recent update, completed during 2011, it was determined that the liability for Ashland asbestos claims should be increased by $41 million Total reserves for asbestos claims were $543 million at September 30, 2011 compared to $537 million at September 30, 2010

Ashland asbestos-related receivables

Excluding the Hercules asbestos claims further described below, Ashland has insurance coverage for most of the litigation defense and claim settlement costs incurred in connection with its asbestos claims, and coverage-in-place agreements exist with the insurance companies that provide most of the coverage currently being accessed As a result, increases in the asbestos reserve have been largely offset by probable insurance recoveries The amounts not recoverable generally are due from insurers that are insolvent, rather than as a result of uninsured claims or the exhaustion of Ashland's insurance coverage

For the Ashland asbestos-related obligations, Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent Approximately 71% of the estimated receivables from insurance companies are expected to be due from domestic insurers, of which approximately 85% have a credit rating of B+ or higher by A M Best, as of September 30, 2011 The remainder of the insurance receivable is due from London insurance companies, which generally have lower credit quality ratings, and from Underwriters at Lloyd's, whose insurance policy obligations have been transferred to a Berkshire Hathaway entity Ashland discounts this portion of the receivable based upon the projected timing of the receipt of cash from those insurers unless likely settlement amounts can be determined

During fiscal 2010, Ashland entered into a new agreement with a number of London market insurance companies with respect to coverage for asbestos-related insurance claims As a result, a $12 million increase to the Ashland asbestos receivable was recorded within the Consolidated Balance Sheet, which had a $9 million (after-tax) effect on the Statements of Consolidated Income within the discontinued operations caption In addition, Ashland had agreed to arbitrate a dispute regarding whether there is a significant deductible in the London market companies' policies in three policy periods that must be satisfied before the policies begin providing coverage for Riley Stoker asbestos claims The London market companies had contended that Ashland must bear certain self-insured retentions in respect of Riley Stoker asbestos liabilities before the London coverage attaches in these three years, and Ashland disputed that such self-insured retentions must be satisfied The parties conducted an arbitration hearing on this dispute in June 2011, and a decision was rendered by the arbitrator in October 2011 that essentially supported Ashland's previously stated position on these claims

At September 30, 2011, Ashland's receivable for recoveries of litigation defense and claim settlement costs from insurers amounted to $431 million (excluding the Hercules receivable for asbestos claims), of which $56 million relates to costs previously paid Receivables from insurers amounted to $421 million at September 30, 2010 During 2011, the model used for purposes of valuing the asbestos reserve described above, and its impact on valuation of future recoveries from insurers, was updated This model update along with potential settlement adjustments resulted in an additional $42 million net increase in the receivable for probable insurance recoveries

Hercules asbestos-related litigation

Hercules, a wholly-owned subsidiary of Ashland, has liabilities from claims alleging personal injury caused by exposure to asbestos Such claims typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products which were sold by one of Hercules' former subsidiaries to a limited industrial market Because claims are frequently filed and settled in large groups, the amount and timing of settlements and number of open claims can fluctuate significantly from period to period

Hercules asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs, which generally approximates the mid-point of the estimated range of exposure from model results Ashland reviews this estimate and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 50-year model developed with the assistance of HR&A During the most recent annual update of this estimate, completed during 2011, it was determined that the liability for Hercules asbestos related claims should be decreased by $48 million Total reserves for asbestos claims were $311 million at September 30, 2011 compared to $375 million at September 30, 2010

During December 2009, Ashland essentially completed the final valuation assessment of the Hercules asbestos claims liability existing as of the acquisition date and underlying claim files as part of transitioning to a standardized claims management approach This assessment resulted in a $35 million and $22 million reduction to the asbestos liability and receivable, respectively, which was accounted for as an adjustment to Hercules' opening balance sheet since the adjustment related to claims that had been incurred as of the acquisition date During the prior year annual update, completed during 2010, it was determined that the liability for asbestos claims should be reduced by $58 million Based upon review of the assumptions underlying the prior year asbestos valuation model and the most recent claim filing and settlement trend rates for both pre- and post-acquisition periods at that time, Ashland determined that $14 million of the $58 million adjustment should be recorded to goodwill, which was partially offset by $6 million for an increase in probable insurance recoveries, totalling to a net $8 million adjustment to goodwill

Hercules asbestos-related receivables

For the Hercules asbestos-related obligations, certain coverage-in-place agreements with insurance carriers exist As a result, increases in the asbestos reserve are partially offset by probable insurance recoveries Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent As of September 30, 2011, this estimated receivable consists exclusively of domestic insurers, of which approximately 96% have a credit rating of B+ or higher by A M Best

As of September 30, 2011 and September 30, 2010, the receivables from insurers amounted to $48 million and $68 million, respectively During 2011, the model used for purposes of valuing the asbestos reserve and its impact on valuation of future recoveries from insurers was updated This model update along with likely settlement adjustments caused a $20 million reduction in the receivable for probable insurance recoveries

Asbestos litigation cost projection

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens In light of these inherent uncertainties, Ashland believes that the asbestos reserves for Ashland and Hercules represent the best estimate within a range of possible outcomes As a part of the process to develop these estimates of future asbestos costs, a range of long-term cost models was developed These models are based on national studies that predict the number of people likely to develop asbestos-related diseases and are heavily influenced by assumptions regarding long-term inflation rates for indemnity payments and legal defense costs, as well as other variables mentioned previously Ashland has currently estimated in various approximate 50-year models that it is reasonably possible that total future litigation defense and claim settlement costs on an inflated and undiscounted basis could range as high as approximately $900 million for the Ashland asbestos-related litigation and approximately $500 million for the Hercules asbestos-related litigation (or approximately $1 4 billion in the aggregate), depending on the combination of assumptions selected in the various models If actual experience is worse than projected relative to the number of claims filed, the severity of alleged disease associated with those claims or costs incurred to resolve those claims, Ashland may need to increase further the estimates of the costs associated with asbestos claims and these increases could potentially be material over time

Environmental remediation and asset retirement obligations

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations At September 30, 2011, such locations included 95 waste treatment or disposal sites where Ashland has been identified as a potentially responsible party under Superfund or similar state laws, 157 current and former operating facilities (including certain operating facilities conveyed to MAP) and about 1,225 service station properties, of which 101 are being actively remediated

Ashland's reserves for environmental remediation amounted to $246 million at September 30, 2011 compared to $207 million at September 30, 2010, of which $204 million at September 30, 2011 and $162 million at September 30, 2010 were classified in other noncurrent liabilities on the Consolidated Balance Sheets As a result of the ISP acquisition on August 23, 2011, Ashland assumed certain environmental and asset retirement obligation contingencies The total obligations assumed by Ashland were $39 million, which includes an increase of $12 million for different remediation approaches than prior ISP assumptions

The total reserves for environmental remediation reflect Ashland's estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries Engineering studies, probability techniques, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation Ashland continues to discount certain environmental sites and regularly adjusts its reserves as environmental remediation continues Ashland has estimated the value of its probable insurance recoveries associated with its environmental reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage At September 30, 2011 and 2010, Ashland's recorded receivable for these probable insurance recoveries was $33 million and $30 million, respectively Environmental remediation expense is included within the selling, general and administrative expense caption of the Statements of Consolidated Income and on an aggregate basis amounted to $49 million in 2011, $30 million in 2010 and $15 million in 2009 Environmental remediation expense, net of insurance receivables, was $36 million in 2011, $22 million in 2010 and $13 million in 2009

Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the costs Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites Although it is not possible to predict with certainty the ultimate costs of environmental remediation, Ashland currently estimates that the upper end of the reasonably possible range of future costs for identified sites could be as high as approximately $390 million No individual remediation location is material, as the largest reserve for any site is less than 10% of the remediation reserve

OUTLOOK

Over the last several years Ashland has been focused on analyzing the businesses it operates to position the company for sustained long-term growth Several significant transactions during 2011 have transitioned Ashland toward its goal of becoming a company with more predictable earnings and cash flow The ISP acquisition strengthens Ashland's specialty chemical position in higher margin and less cyclical growth markets In addition, the sale of Distribution generated nearly $1 billion in cash while the contribution of the Casting Solutions business into the global joint venture with Sud-Chemie allows the newly combined company to better capitalize on its significant size and scale within the foundries industry

Ashland expects to focus on five primary objectives, all of which will emphasize core strategies for each of its businesses The first objective is to restore gross profit margins within the Consumer Markets and Water Technologies businesses to recent historical levels The second objective is to implement a $90 million cost reduction program that consists of $40 million in savings from stranded and corporate costs related to the Distribution sale and the Casting Solutions joint venture contribution and $50 million in synergies from the ISP acquisition The next objective is to generate cash flow from operations in order to strengthen liquidity and position Ashland to be able to retire higher interest bearing debt The fourth objective is to concentrate global investment and resources within high growth emerging regions The last objective is to focus each business on growth in key markets, with the personal care and pharmaceutical markets having the strongest opportunities

EFFECTS OF INFLATION AND CHANGING PRICES

Ashland's financial statements are prepared on the historical cost method of accounting in accordance with U S GAAP and, as a result, do not reflect changes in the purchasing power of the U S dollar Monetary assets (such as cash, cash equivalents and accounts receivable) lose purchasing power as a result of inflation, while monetary liabilities (such as accounts payable and indebtedness) result in a gain, because they can be settled with dollars of diminished purchasing power As of September 30, 2011, Ashland's monetary assets currently exceed its monetary liabilities, leaving it currently more exposed to the effects of future inflation However, given the recent consistent stability of inflation in the United States in the past several years as well as forward economic outlooks, current inflationary pressures seem moderate

Certain of the industries in which Ashland operates are capital-intensive, and replacement costs for its plant and equipment generally would exceed their historical costs Accordingly, depreciation and amortization expense would be greater if it were based on current replacement costs However, because replacement facilities would reflect technological improvements and changes in business strategies, such facilities would be expected to be more productive than existing facilities, mitigating at least part of the increased expense

Ashland uses the LIFO method to value a portion of its inventories to provide a better matching of revenues with current costs However, LIFO values such inventories below their replacement costs

FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements including, without limitation, statements made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" (MD&A), within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 In addition, Ashland may from time to time make forward-looking statements in its Annual Report to Shareholders, quarterly reports and other filings with the Securities and Exchange Commission, news releases and other written and oral communications These forward-looking statements are based on Ashland's expectations and assumptions, as of the date such statements are made, regarding Ashland's future operating performance and financial condition, the economy and other future events or circumstances Ashland's expectations and assumptions include, without limitation, those mentioned within the MD&A, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw material cost increases through price increases), and risks and uncertainties associated with the following the possibility that the benefits anticipated from the acquisition of International Specialty Products Inc (ISP) will not be fully realized, the substantial indebtedness Ashland has incurred to finance the acquisition of ISP (including the possibility that such debt and related restrictive covenants may adversely affect Ashland's future cash flows, results of operations, financial condition and its ability to repay debt), severe weather, natural disasters and legal proceedings and claims (including environmental and asbestos matters) Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements, including, without limitation, risks and uncertainties affecting Ashland that are contained in "Use of estimates, risks and uncertainties" in Note A of Notes to Consolidated Financial Statements and in Item 1A of this Form 10-K Ashland believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved Ashland undertakes no obligation to subsequently update any forward-looking statements made in this Form 10-K or otherwise except as required by securities or other applicable law

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Ashland regularly uses foreign currency derivative instruments to manage its exposure to certain transactions denominated in foreign currencies All derivative instruments are recognized as either assets or liabilities in the Consolidated Balance Sheets and are measured at fair value Changes in the fair value of all derivatives are recognized immediately in income unless the derivative qualifies as a hedge of future cash flows Gains and losses related to a hedge are either recognized in income immediately to offset the gain or loss on the hedged item, or deferred and recorded in the stockholders' equity section of the Consolidated Balance Sheets as a component of accumulated other comprehensive income and subsequently recognized in the Statements of Consolidated Income when the hedged item affects net income The ineffective portion of the change in fair value of a hedge is recognized in income immediately Credit risks arise from the possible inability of counterparties to meet the terms of their contracts, but exposure is limited to the replacement value of the contracts Ashland further minimizes this credit risk through internal monitoring procedures and as of September 30, 2011 does not have significant credit risk on open derivative contracts The potential loss from a hypothetical 10% adverse change in foreign currency rates on Ashland's open foreign currency derivative instruments at September 30, 2011 would be a $5 million impact on Ashland's consolidated financial position, results of operations, cash flows or liquidity Ashland did not transact or have open any hedging contracts with respect to commodities or any related raw material requirements for the year ended September 30, 2011

During 2011, Ashland entered into interest rate swap agreements in order to manage the variable interest rate risk associated with term loans A and B that were borrowed in conjunction with the ISP acquisition As of September 30, 2011, the total notional value of interest rate swaps related to term loans A and B equaled $1 5 billion and $650 million, respectively Ashland records these hedges at fair value, with the effective portion of the gain or loss reported as a component of accumulated other comprehensive income (AOCI) and subsequently recognized in the Statements of Consolidated Income when the hedged item affects net income

The fair value of Ashland's interest rate swap assets and liabilities are calculated using standard pricing models These models utilize inputs derived from observable market data such as interest rate spot rates and forward rates, and are deemed to be Level 2 measurements within the fair value hierarchy Counterparties to these interest rate swap agreements are highly rated financial institutions which Ashland believes carry only a minimal risk of nonperformance See Note G of Notes to Consolidated Financial Statements for additional information regarding derivative instruments

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL SCHEDULE

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the preparation and integrity of the Consolidated Financial Statements and other financial information included in this annual report on Form 10-K Such financial statements are prepared in accordance with accounting principles generally accepted in the United States Accounting principles are selected and information is reported which, using management's best judgment and estimates, present fairly Ashland's consolidated financial position, results of operations and cash flows The other financial information in this annual report on Form 10-K is consistent with the Consolidated Financial Statements

Ashland's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) Ashland's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ashland's Consolidated Financial Statements Ashland's internal control over financial reporting is supported by a code of business conduct which summarizes our guiding values such as obeying the law, adhering to high ethical standards and acting as responsible members of the communities where we operate Compliance with that Code forms the foundation of our internal control systems, which are designed to provide reasonable assurance that Ashland's assets are safeguarded and its records reflect, in all material respects, transactions in accordance with management's authorization The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the related benefits Management believes that adequate internal controls are maintained by the selection and training of qualified personnel, by an appropriate division of responsibility in all organizational arrangements, by the establishment and communication of accounting and business policies, and by internal audits

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

The Board, subject to stockholder ratification, selects and engages the independent auditors based on the recommendation of the Audit Committee The Audit Committee, composed of directors who are not members of management, reviews the adequacy of Ashland's policies, procedures, controls and risk management strategies, the scope of auditing and other services performed by the independent auditors, and the scope of the internal audit function The Committee holds meetings with Ashland's internal auditor and independent auditors, with and without management present, to discuss the findings of their audits, the overall quality of Ashland's financial reporting and their evaluation of Ashland's internal controls The report of Ashland's Audit Committee can be found in Ashland's 2011 Proxy Statement

Management assessed the effectiveness of Ashland's internal control over financial reporting as of September 30, 2011 Management conducted its assessment utilizing the framework described in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Based on this assessment, management believes that Ashland maintained effective internal control over financial reporting as of September 30, 2011

Management's assessment of the effectiveness of Ashland's internal control over financial reporting as of September 30, 2011 excluded International Specialty Products Inc ("ISP") which was acquired by Ashland in the fourth quarter of 2011 Total assets and total net sales recorded by Ashland related to this acquisition represented approximately 35% of Ashland's consolidated total assets and approximately 3% of Ashland's consolidated net sales, respectively, as of and for the year ended September 30, 2011 Companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company under guidelines established by the Securities and Exchange Commission

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited and reported on the Consolidated Financial Statements of Ashland Inc and consolidated subsidiaries and the effectiveness of Ashland's internal control over financial reporting The report of the independent auditor is contained in this Annual Report

/s/ James J O'Brien
James J O'Brien
Chairman of the Board and Chief Executive Officer

/s/ Lamar M Chambers
Lamar M Chambers
Senior Vice President and Chief Financial Officer

November 23, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders
Ashland Inc and consolidated subsidiaries

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Ashland Inc and its subsidiaries at September 30, 2011 and September 30, 2010, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk Our audits also included performing such other procedures as we considered necessary in the circumstances We believe that our audits provide a reasonable basis for our opinions

As described in Note A to the consolidated financial statements, Ashland changed the manner in which it accounts for pension and other postretirement benefit obligations and inventory costing in 2011

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

As described in Management's Report on Internal Control over Financial Reporting, management has excluded International Specialty Products Inc , which was acquired in August 2011, from its assessment of internal control over financial reporting as of September 30, 2011 We have also excluded International Specialty Products Inc from our audit of internal control over financial reporting International Specialty Products Inc is a wholly-owned subsidiary of Ashland Inc whose total assets and total sales represent 35% and 3%, respectively, of the related consolidated financial statement amounts of Ashland Inc as of and for the year ended September 30, 2011

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Cincinnati, Ohio
November 23, 2011

Ashland Inc and Consolidated Subsidiaries

Statements of Consolidated Income

Years Ended September 30

(In millions except per share data)	2011	2010	2009
Sales	$ 6,502	$ 5,741	$ 5,220
Costs and expenses			
Cost of sales	4,890	4,124	3,850
Selling, general and administrative expense	1,442	1,330	1,399
Research and development expense	89	86	96
	6,421	5,540	5,345
Equity and other income - Notes A and E	49	48	34
Operating income (loss)	130	249	(91)
Net interest and other financing expense - Note I	(121)	(197)	(205)
Net (loss) gain on acquisitions and divestitures - Note C	(5)	21	59
Other income and (expense)	(1)	2	(86)
Income (loss) from continuing operations before income taxes	3	75	(323)
Income tax benefit - Note L	(53)	(13)	(83)
Income (loss) from continuing operations	56	88	(240)
Income (loss) from discontinued operations (net of income taxes) - Note D	358	53	(21)
Net income (loss)	$ 414	$ 141	$ (261)
Earnings per share - Note A			
Basic			
Income (loss) from continuing operations	$ 0 72	$ 1 14	$ (3 31)
Income (loss) from discontinued operations	4 56	0 68	(0 29)
Net income (loss)	$ 5 28	$ 1 82	$ (3 60)
Diluted			
Income (loss) from continuing operations	$ 0 70	$ 1 11	$ (3 31)
Income (loss) from discontinued operations	4 47	0 67	(0 29)
Net income (loss)	$ 5 17	$ 1 78	$ (3 60)

See Notes to Consolidated Financial Statements

Ashland Inc and Consolidated Subsidiaries

Consolidated Balance Sheets

At September 30

(In millions)	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 737	$ 417
Accounts receivable (less allowances for doubtful accounts of $37 million in 2011 and $21 million in 2010) - Note A	1,482	1,115
Inventories - Note A	925	447
Deferred income taxes - Note L	163	112
Other assets	80	49
Held for sale - Note C	-	693
	3,387	2,833
Noncurrent assets		
Goodwill - Note H	3,291	2,148
Intangibles - Note H	2,134	1,111
Asbestos insurance receivable (noncurrent portion) - Note N	448	459
Deferred income taxes - Note L	11	335
Other assets - Note J	779	536
Held for sale - Note C	2	270
	6,665	4,859
Property, plant and equipment - Note A		
Cost	4,306	3,109
Accumulated depreciation and amortization	(1,392)	(1,271)
	2,914	1,838
	$ 12,966	$ 9,530
Liabilities and Stockholders' Equity		
Current liabilities		
Short-term debt - Note I	$ 83	$ 71
Current portion of long-term debt - Note I	101	45
Trade and other payables	911	727
Accrued expenses and other liabilities	644	523
Held for sale - Note C	-	321
	1,739	1,687
Noncurrent liabilities		
Long-term debt (noncurrent portion) - Note I	3,648	1,108
Employee benefit obligations - Note M	1,566	1,367
Asbestos litigation reserve (noncurrent portion) - Note N	783	841
Deferred income taxes - Note L	404	145
Other liabilities - Note J	691	575
	7,092	4,036
Stockholders' equity - Notes O and P		
Common stock, par value $.01 per share, 200 million shares authorized Issued 78 million shares in 2011 and 79 million shares in 2010	1	1
Paid-in capital	627	665
Retained earnings	3,200	2,837
Accumulated other comprehensive income	307	304
	4,135	3,807
	$ 12,966	$ 9,530

See Notes to Consolidated Financial Statements

Statements of Consolidated Stockholders' Equity

(In millions)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive income (loss) (a)	Total
Balance at September 30, 2008	$ 1	$ 33	$ 3,016	$ 148	$ 3,198
Total comprehensive income (loss) (b)			(261)	200	(61)
Regular dividends, $ 30 per common share			(22)		(22)
Issuance of common shares - Note O		450			450
Common shares issued under stock incentive and other plans (c) (d)		42			42
Other		(4)	(2)		(6)
Balance at September 30, 2009	1	521	2,731	348	3,601
Total comprehensive income (loss) (b)			141	(44)	97
Regular dividends, $ 45 per common share			(35)		(35)
Issuance of common shares - Note O		100			100
Common shares issued under stock incentive and other plans (c) (d)		44			44
Balance at September 30, 2010	1	665	2,837	304	3,807
Total comprehensive income (loss) (b)			414	3	417
Regular dividends, $ 65 per common share			(51)		(51)
Common shares issued under stock incentive and other plans (c) (d)		33			33
Repurchase of common shares (e)		(71)			(71)
Balance at September 30, 2011	$ 1	$ 627	$ 3,200	$ 307	$ 4,135

(a) At September 30, 2011 and 2010, the accumulated other comprehensive income of $307 million for 2011 and $304 million for 2010 was comprised of unrecognized prior service credits as a result of certain plan amendments of $62 million for 2011 and $29 million for 2010, net unrealized translation gains of $257 million for 2011 and $275 million for 2010, and net unrealized losses on interest rate hedges of $12 million for 2011

(b) Reconciliations of net income to total comprehensive (loss) income follow

(In millions)	2011	2010	2009
Net income (loss)	$ 414	$ 141	$ (261)
Pension and postretirement obligation adjustment	50	31	(5)
Related tax benefit	(17)	(11)	3
Unrealized translation (loss) gain	(18)	(64)	182
Net unrealized gain (loss) on investment securities	-	-	32
Related tax (expense) benefit	-	-	(12)
Net unrealized gain (loss) on interest rate hedges	(20)	-	-
Related tax (expense) benefit	8	-	-
Total comprehensive (loss) income	$ 417	$ 97	$ (61)

(c) Includes income tax benefits resulting from the exercise of stock options of $9 million in 2011, $8 million in 2010 and $2 million in 2009 Includes $10 million from the fair value of Hercules stock options converted into stock options for Ashland shares in 2009

(d) Common shares issued were 484,161, 972,938 and 1,353,880 for 2011, 2010 and 2009 respectively

(e) Common shares repurchased were 1,207,406 for 2011

See Notes to Consolidated Financial Statements

Ashland Inc and Consolidated Subsidiaries

Statements of Consolidated Cash Flows

Years Ended September 30

(In millions)	2011	2010	2009
Cash flows provided by operating activities from continuing operations			
Net income (loss)	$ 414	$ 141	$ (261)
(Income) loss from discontinued operations (net of income taxes)	(358)	(53)	21
Adjustments to reconcile income from continuing operations to cash flows from operating activities			
Depreciation and amortization	299	280	305
Debt issuance cost amortization	26	81	52
Purchased in-process research and development amortization	-	-	10
Deferred income taxes	(57)	(67)	(123)
Equity income from affiliates	(17)	(19)	(14)
Distributions from equity affiliates	5	17	15
Gain from sale of property and equipment	(2)	(4)	(2)
Stock based compensation expense - Note P	16	14	9
Stock contributions to qualified savings plans	13	22	13
Net loss (gain) on acquisitions and divestitures - Notes B and C	5	(21)	(59)
Loss on early retirement of debt	-	5	1
Inventory fair value adjustment related to acquisitions	16	-	37
Loss on currency swaps related to Hercules acquisition	-	-	54
Loss (gain) on auction rate securities	1	(2)	32
Actuarial loss on pension and postretirement plans	318	268	409
Change in operating assets and liabilities (a)	(436)	(111)	236
	243	551	735
Cash flows (used) provided by investing activities from continuing operations			
Additions to property, plant and equipment	(201)	(192)	(165)
Proceeds from disposal of property, plant and equipment	14	21	45
Purchase of operations - net of cash acquired	(2,002)	(23)	(2,080)
Proceeds from sale of operations or equity investments	76	64	114
Settlement of currency swaps related to Hercules acquisition	-	-	(95)
Proceeds from sales and maturities of available-for-sale securities	11	150	73
	(2,102)	20	(2,108)
Cash flows provided (used) by financing activities from continuing operations			
Proceeds from issuance of long-term debt	2,910	334	2,628
Repayment of long-term debt	(1,513)	(780)	(1,862)
Proceeds from/(repayment of) short-term debt	12	48	(19)
Repurchase of common stock	(71)	-	-
Debt issuance/modification costs	(82)	(13)	(162)
Cash dividends paid	(51)	(35)	(22)
Proceeds from exercise of stock options	3	6	9
Excess tax benefits related to share-based payments	4	5	1
	1,212	(435)	573
Cash (used) provided by continuing operations	(647)	136	(800)
Cash used (provided) by discontinued operations			
Operating cash flows	2	(45)	290
Investing cash flows	955	(16)	(7)
Effect of currency exchange rate changes on cash and cash equivalents	10	(10)	(17)
Increase (decrease) in cash and cash equivalents	320	65	(534)
Cash and cash equivalents - beginning of year	417	352	886
Cash and cash equivalents - end of year	$ 737	$ 417	$ 352
(Increase) decrease in operating assets (a)			
Accounts receivable	$ (40)	$ (128)	$ 191
Inventories	(133)	(56)	66
Other current and noncurrent assets	245	101	(49)
Increase (decrease) in operating liabilities (a)			
Trade and other payables	(65)	58	(134)
Pension contributions	(50)	(62)	(47)
Other current and noncurrent liabilities	(393)	(24)	209
Change in operating assets and liabilities	$ (436)	$ (111)	$ 236
Supplemental disclosures			
Interest paid	$ 109	$ 118	$ 198
Income taxes paid	97	86	49

(a) Excludes changes resulting from operations acquired or sold

See Notes to Consolidated Financial Statements

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation and basis of presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U S GAAP) and U S Securities and Exchange Commission regulations In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included All material intercompany transactions and balances have been eliminated Certain assets and liabilities that have been categorized as held for sale or sold during 2011 have been reclassified within the September 30, 2010 Consolidated Balance Sheet Additionally, certain other prior period data has been reclassified in the Consolidated Financial Statements and accompanying notes to conform to the current period presentation

The Consolidated Financial Statements include the accounts of Ashland and its majority owned subsidiaries In addition, Ashland consolidates a variable interest entity, in which Ashland has a 50% ownership interest and has been deemed to be the primary beneficiary As of September 30, 2011, this variable interest entity had an equity position of $21 million Investments in joint ventures and 20% to 50% owned affiliates where Ashland has the ability to exert significant influence are accounted for under the equity method

Ashland is composed of four reporting segments Ashland Specialty Ingredients (Specialty Ingredients), which in previous periods had been named Functional Ingredients, Ashland Water Technologies (Water Technologies), Ashland Performance Materials (Performance Materials) and Ashland Consumer Markets (Consumer Markets) On August 23, 2011, Ashland completed the acquisition of International Specialty Products Inc (ISP) ISP's operating results from the date of the acquisition through September 30, 2011 have been included in the Specialty Ingredients reporting segment, with the exception of ISP's Elastomers business, which is included within the Performance Materials reporting segment See Notes B and Q for additional information on the ISP acquisition and reporting segment results On March 31, 2011, Ashland completed the sale of substantially all of the assets and certain liabilities of Ashland Distribution (Distribution) As a result of this sale, all prior period operating results and cash flows related to Distribution have been reflected as discontinued operations, while all prior period assets and liabilities have been classified as held for sale See Notes C, D and Q for additional information on the Distribution divestiture and reporting segment results

Use of estimates, risks and uncertainties

The preparation of Ashland's Consolidated Financial Statements in conformity with U S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities Significant items that are subject to such estimates and assumptions include, but are not limited to, long-lived assets (including goodwill and other intangible assets), employee benefit obligations, income taxes and liabilities and receivables associated with asbestos litigation and environmental remediation Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ significantly from the estimates under different assumptions or conditions

Ashland's results are affected by domestic and international economic, political, legislative, regulatory and legal actions Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, government fiscal policies, and changes in the prices of hydrocarbon-based products and other raw materials, can have a significant effect on operations While Ashland maintains reserves for anticipated liabilities and carries various levels of insurance, Ashland could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings relating to asbestos, environmental remediation or other matters

Change in accounting policy regarding pension and other postretirement benefits

During 2011, Ashland elected to change its method of recognizing actuarial gains and losses for its defined benefit pension plans and other postretirement benefit plans Previously, Ashland recognized the actuarial gains and losses as a component of Stockholders' Equity within the Consolidated Balance Sheet on an annual basis and amortized the gains and losses into operating results over the average future service period of active employees within the related plans Ashland has elected to immediately recognize the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement during a fiscal year The remaining components of pension and other postretirement benefits expense will be recorded on a quarterly basis While Ashland's historical policy of recognizing pension and other postretirement benefit expense is considered acceptable under U S GAAP, Ashland believes that the new policy is preferable as it eliminates the delay in recognizing gains and losses within operating results This change will also improve transparency within Ashland's operating results by immediately recognizing the effects of economic and interest rate trends on plan investments and assumptions in the year these gains and losses are actually incurred. This change in accounting policy has been applied retrospectively, adjusting all prior periods presented.

In connection with this change in accounting policy for pension and other postretirement benefits, Ashland also elected to change its method of accounting for certain costs included in inventory. Ashland has elected to exclude the amount of its pension and other postretirement benefit costs applicable to inactive participants from inventoriable costs and charge them directly to cost of sales. While Ashland's historical policy of including all pension and other postretirement benefit costs as a component of inventoriable costs was acceptable, Ashland believes that the new policy is preferable, as inventoriable costs will only include costs that are directly attributable to current employees. Applying this change retrospectively, in connection with the change in accounting for pension and other postretirement benefit costs, did not have a significant impact on previously reported inventory, cost of sales or segment reported results in any of the prior period financial statements.

The impact of these accounting policy changes on Ashland's consolidated financial statements are summarized below.

Statements of Consolidated Income

(In millions except per share data)	Year Ended September 30, 2011		
	Previous method	Effect of change	As reported
Sales	$ 6,502	$ -	$ 6,502
Costs and expenses			
Cost of sales	4,813	77	4,890
Selling, general and administrative expense	1,267	175	1,442
Research and development expense	89	-	89
	6,169	252	6,421
Equity and other income	49	-	49
Operating income	382	(252)	130
Net interest and other financing expense	(121)	-	(121)
Net gain on acquisitions and divestitures	(5)	-	(5)
Other income	(1)	-	(1)
Income from continuing operations before income taxes	255	(252)	3
Income tax expense (benefit)	43	(96)	(53)
Income from continuing operations	212	(156)	56
Income from discontinued operations	309	49	358
Net income	$ 521	$ (107)	$ 414
Earnings per share from continuing operations			
Basic	$ 2.70	$ (1.98)	$ 0.72
Diluted	$ 2.65	$ (1.95)	$ 0.70
Earnings per share from net income			
Basic	$ 6.65	$ (1.37)	$ 5.28
Diluted	$ 6.51	$ (1.34)	$ 5.17

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

(In millions except per share data)	Year Ended September 30, 2010		
	As reported	Effect of change	As amended
Sales	$ 5,741	$ -	$ 5,741
Costs and expenses			
Cost of sales	4,058	66	4,124
Selling, general and administrative expense	1,168	162	1,330
Research and development expense	86	-	86
	5,312	228	5,540
Equity and other income	48	-	48
Operating income	477	(228)	249
Net interest and other financing expense	(197)	-	(197)
Net gain on acquisitions and divestitures	21	-	21
Other income	2	-	2
Income from continuing operations before income taxes	303	(228)	75
Income tax expense (benefit)	62	(75)	(13)
Income from continuing operations	241	(153)	88
Income from discontinued operations	91	(38)	53
Net income	$ 332	$ (191)	$ 141
Earnings per share from continuing operations			
Basic	$ 3.10	$ (1.96)	$ 1.14
Diluted	$ 3.04	$ (1.93)	$ 1.11
Earnings per share from net income			
Basic	$ 4.26	$ (2.44)	$ 1.82
Diluted	$ 4.18	$ (2.40)	$ 1.78

(In millions except per share data)	Year Ended September 30, 2009		
	As reported	Effect of change	As amended
Sales	$ 5,220	$ -	$ 5,220
Costs and expenses			
Cost of sales	3,732	118	3,850
Selling, general and administrative expense	1,115	284	1,399
Research and development expense	96	-	96
	4,943	402	5,345
Equity and other income	34	-	34
Operating income (loss)	311	(402)	(91)
Net interest and other financing expense	(205)	-	(205)
Net gain on acquisitions and divestitures	59	-	59
Other income	(86)	-	(86)
Income (loss) from continuing operations before income taxes	79	(402)	(323)
Income tax expense (benefit)	52	(135)	(83)
Income (loss) from continuing operations	27	(267)	(240)
Income (loss) from discontinued operations	44	(65)	(21)
Net income (loss)	$ 71	$ (332)	$ (261)
Earnings per share from continuing operations			
Basic	$ 0 38	$ (3 69)	$ (3 31)
Diluted	$ 0 37	$ (3 68)	$ (3 31)
Earnings per share from net income (loss)			
Basic	$ 0 98	$ (4 58)	$ (3 60)
Diluted	$ 0 96	$ (4 56)	$ (3 60)

Consolidated Balance Sheet

(In millions)	At September 30, 2011		
	Previous method	Effect of change	As reported
Retained earnings	$ 3,952	$ (752)	$ 3,200
Accumulated other comprehensive loss	(445)	752	307

(In millions)	At September 30, 2010		
	As reported	Effect of change	As amended
Deferred income taxes (noncurrent asset)	$ 336	$ (1)	$ 335
Employee benefit obligations	1,372	(5)	1,367
Retained earnings	3,482	(645)	2,837
Accumulated other comprehensive loss	(345)	649	304

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Consolidated Cash Flows

(In millions)	Year Ended September 30, 2011		
	Previous method	Effect of change	As reported
Cash flows provided by operating activities from continuing operations			
Net income	$ 521	$ (107)	$ 414
(Income) loss from discontinued operations (net of income taxes)	(309)	(49)	(358)
Deferred income tax (benefit)	39	(96)	(57)
Actuarial loss on pension and postretirement plans	-	318	318
Change in operating assets and liabilities	(370)	(66)	(436)

(In millions)	Year Ended September 30, 2010		
	As reported	Effect of change	As amended
Cash flows provided by operating activities from continuing operations			
Net income	$ 332	$ (191)	$ 141
(Income) loss from discontinued operations (net of income taxes)	(91)	38	(53)
Deferred income tax (benefit)	9	(76)	(67)
Actuarial loss on pension and postretirement plans	-	268	268
Change in operating assets and liabilities	(72)	(39)	(111)

(In millions)	Year Ended September 30, 2009		
	As reported	Effect of change	As amended
Cash flows provided by operating activities from continuing operations			
Net income (loss)	$ 71	$ (332)	$ (261)
(Income) loss from discontinued operations (net of income taxes)	(44)	65	21
Deferred income tax (benefit)	12	(135)	(123)
Actuarial loss on pension and postretirement plans	-	409	409
Change in operating assets and liabilities	243	(7)	236

Statements of Consolidated Stockholders' Equity

(In millions)	Year Ended September 30, 2011		
	Previous method	Effect of change	As reported
Retained earnings			
Net income	$ 521	$ (107)	$ 414
Balance at September 30, 2011	3,952	(752)	3,200
Accumulated other comprehensive loss			
Pension and postretirement obligation adjustment	(690)	752	62
Balance at September 30, 2011	(445)	752	307
Total comprehensive income (loss)			
Net income	521	(107)	414
Pension and postretirement obligation adjustment, net of tax	(70)	103	33
Balance at September 30, 2011	421	(4)	417

(In millions)	Year Ended September 30, 2010		
	As reported	Effect of change	As amended
Retained earnings			
Net income	$ 332	$ (191)	$ 141
Balance at September 30, 2010	3,482	(645)	2,837
Accumulated other comprehensive loss			
Pension and postretirement obligation adjustment	(620)	649	29
Balance at September 30, 2010	(345)	649	304
Total comprehensive income (loss)			
Net income	332	(191)	141
Pension and postretirement obligation adjustment, net of tax	(158)	178	20
Balance at September 30, 2010	110	(13)	97

(In millions)	Year Ended September 30, 2009		
	As reported	Effect of change	As amended
Retained earnings			
Balance at September 30, 2008	$ 3,138	$ (122)	$ 3,016
Net income	71	(332)	(261)
Balance at September 30, 2009	3,185	(454)	2,731
Accumulated other comprehensive loss			
Balance at September 30, 2008	30	118	148
Pension and postretirement obligation adjustment, net of tax	(462)	471	9
Balance at September 30, 2009	(123)	471	348
Total comprehensive income (loss)			
Net income	71	(332)	(261)
Pension and postretirement obligation adjustment, net of tax	(355)	353	(2)
Balance at September 30, 2009	(82)	21	(61)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments maturing within three months after purchase

Investment securities

Securities are classified as available-for-sale or held-to-maturity on the date of purchase Available-for-sale securities are reported at fair value with unrealized gains and losses, net of related deferred income taxes, included in accumulated other comprehensive income, a component of stockholders' equity Held-to-maturity securities are recorded at amortized cost Interest and dividends are reported within the caption net interest and other financing (expense) income in the Statements of Consolidated Income The cost of securities sold is based on the specific identification method All securities are reviewed quarterly for possible other-than-temporary impairment The review includes an analysis of the facts and circumstances of each individual investment such as the severity of loss, the length of time the fair value has been below cost, the expectation for that security's performance, the creditworthiness of the issuer and Ashland's intent and ability to hold the security A decline in value that is considered to be other-than-temporary is recorded as a loss within the Statements of Consolidated Income There were no net unrealized gain on investment securities in accumulated other comprehensive income as of September 30, 2011 and 2010 For additional information on investment securities, see Note G

Allowance for doubtful accounts

Ashland records an allowance for doubtful accounts as a best estimate of the amount of probable credit losses for accounts receivable Each month Ashland reviews this allowance and considers factors such as customer credit, past

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

transaction history with the customer and changes in customer payment terms when determining whether the collection of a receivable is reasonably assured Past due balances over 90 days and over a specified amount are reviewed individually for collectibility The allowance for doubtful accounts is adjusted when it becomes probable a receivable will not be recovered

Inventories

Inventories are carried at the lower of cost or market. Certain chemicals, plastics and lubricants with a replacement cost of $295 million at September 30, 2011, and $103 million at September 30, 2010, are valued at cost using the last-in, first-out (LIFO) method During 2009 certain inventory quantities valued under the LIFO method were reduced This reduction resulted in a liquidation of LIFO quantities carried at lower costs prevailing in prior years as compared with the cost of purchases within the periods presented, the effect of which decreased cost of sales during 2009 by $3 million The remaining inventories are valued using the weighted-average cost method or the first-in, first-out method

(In millions)	2011	2010
Finished products	$ 620	$ 326
Raw materials, supplies and work in process	364	175
LIFO carrying values	(59)	(54)
	$ 925	$ 447

Property, plant and equipment

The cost of property, plant and equipment is depreciated by the straight-line method over the estimated useful lives of the assets Buildings are depreciated principally over 25 to 35 years and machinery and equipment principally over 4 to 25 years Such costs are periodically reviewed for recoverability when impairment indicators are present. Such indicators include, among other factors, operating losses, unused capacity, market value declines and technological obsolescence Recorded values of asset groups of property, plant and equipment that are not expected to be recovered through undiscounted future net cash flows are written down to current fair value, which generally is determined from estimated discounted future net cash flows (assets held for use) or net realizable value (assets held for sale) Asset impairment charges are included within the selling, general and administrative expense caption of the Statements of Consolidated Income and were $13 million in 2011, $1 million in 2010 and $3 million in 2009 Total depreciation expense on property, plant and equipment for 2011, 2010 and 2009 was $225 million, $212 million and $237 million, respectively Depreciation expense for 2011, 2010 and 2009 included $6 million, $6 million and $17 million, respectively, in accelerated depreciation related to the closure of plant facilities, included within the cost of sales caption of the Statements of Consolidated Income Capitalized interest for 2011, 2010 and 2009 was $1 million, $2 million and $3 million, respectively The following table describes the various components of property, plant and equipment within the Consolidated Balance Sheet

(In millions)	2011	2010
Land	$ 281	$ 254
Buildings	754	668
Machinery and equipment	3,024	2,068
Construction in progress	247	119
Total property, plant and equipment (gross)	4,306	3,109
Accumulated depreciation and amortization	(1,392)	(1,271)
Total property, plant and equipment (net)	$ 2,914	$ 1,838

Assets held for sale

When specific actions to dispose of assets progress to the point that criteria, as defined within U S GAAP, have been met, the underlying assets and liabilities are adjusted to the lesser of carrying value or fair value, which may include an impairment charge to the extent identified, and reclassified into a "held for sale" category within the Consolidated Balance Sheet Impairment charges, to the extent they exist, are recognized in the Statements of Consolidated Income For additional information on assets held for sale, see Note C

Goodwill and other indefinite-lived intangibles

In accordance with U S GAAP, Ashland tests goodwill and other indefinite-lived intangible assets for impairment annually as of July 1 and whenever events or circumstances make it more likely than not that an impairment may have occurred Ashland reviews goodwill for impairment based on its identified reporting units, which are defined as reportable segments or groupings of businesses one level below the reportable segment level Ashland tests goodwill for impairment by comparing the carrying value to the estimated fair value of its reporting units, determined using a discounted cash flow model or externally quoted prices (if available) and, when deemed necessary, a market approach Ashland tests its indefinite-lived intangible assets, principally trademarks and trade names, using a "relief-from-royalty" valuation method compared to the carrying value Significant assumptions inherent in the valuation methodologies for goodwill and other intangibles are employed and include, but are not limited to, such estimates as projected business results, growth rates, the weighted-average cost of capital for a market participant, and royalty and discount rates For further information on goodwill and other intangible assets, see Note H

Derivative instruments

Ashland regularly uses derivative instruments to manage its exposure to fluctuations in foreign currencies and interest rates All derivative instruments are recognized as either assets or liabilities on the balance sheet and are measured at fair value Changes in the fair value of all derivatives are recognized immediately in income unless the derivative qualifies as a hedge of future cash flows Gains and losses related to a hedge are either recognized in income immediately to offset the gain or loss on the hedged item, or deferred and recorded in the stockholders' equity section of the Consolidated Balance Sheets as a component of accumulated other comprehensive income and subsequently recognized in the Statements of Consolidated Income when the hedged item affects net income The ineffective portion of the change in fair value of a hedge is recognized in income immediately At September 30, 2011, Ashland had several interest rate swap contracts that qualified for hedge accounting and totaled a $20 million liability At September 30, 2010, Ashland did not have any derivative contracts that qualified for hedge accounting Credit risks arise from the possible inability of counterparties to meet the terms of their contracts, but exposure is limited to the fair value of the contracts Ashland further minimizes this credit risk through internal monitoring procedures As of September 30, 2011, Ashland had not identified any significant credit risk on open derivative contracts For additional information on derivative instruments, see Note G

Revenue recognition

Sales generally are recognized when persuasive evidence of an arrangement exists, products are received or services are provided to customers, the sales price is fixed or determinable and collectability is reasonably assured For consignment inventory, title and risk of loss are transferred when the products have been consumed or used in the customer's production process The percentage of Ashland's sales recognized from consignment inventory sales was 6% during 2011 and 5% during 2010 and 2009 Ashland reports all sales net of tax assessed by qualifying governmental authorities

Expense recognition

Cost of sales include material and production costs, as well as the costs of inbound and outbound freight, purchasing and receiving, inspection, warehousing, internal transfers, and all other distribution network costs Selling, general and administrative expense includes sales and marketing costs, advertising, customer support, environmental remediation, corporate and divisional administrative and other costs Advertising costs ($85 million in 2011, $69 million in 2010 and $62 million in 2009) and research and development costs ($89 million in 2011, $86 million in 2010 and $96 million in 2009) are expensed as incurred

Consumer Markets has established an engine guarantee associated with its Valvoline™ product line Consumers register their vehicles to qualify for the guarantee Ashland initially had established an estimation methodology for quantifying the future potential reserves related to this guarantee program, however, this program is now insured with a third party and therefore as of September 30, 2011 and 2010 no reserve was recorded for the guarantee program

Income taxes

Ashland is subject to income taxes in the United States and numerous foreign jurisdictions Significant judgment in the forecasting of taxable income using historical and projected future operating results is required in determining Ashland's provision for income taxes and the related assets and liabilities The provision for income taxes includes income taxes paid, currently payable or receivable, and those deferred Under U S GAAP, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse Deferred tax assets are also recognized for the estimated future effects of tax loss carryforwards The effect on deferred taxes of changes in tax rates is recognized in the period in which the enactment date changes Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts expected to be realized In the event that the actual outcome of future tax consequences differs from Ashland's estimates and assumptions due to changes or future events such as tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans, the resulting change to the provision for income taxes could have a material affect on the Consolidated Statement of Income and Consolidated Balance Sheet For additional information on income taxes, see Note L

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Asbestos-related litigation

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos Such claims result from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley) and the acquisition of Hercules in November 2008 Although Riley, a former subsidiary, was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies Hercules, a wholly-owned subsidiary of Ashland, has liabilities from claims alleging personal injury caused by exposure to asbestos Such claims typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products sold by one of Hercules' former subsidiaries to a limited industrial market

Ashland retained Hamilton, Rabinovitz & Associates, Inc (HR&A) to assist in developing and annually updating independent reserve estimates for future asbestos claims and related costs given various assumptions The methodology used by HR&A to project future asbestos costs is based largely on Ashland's recent experience, including claim-filing and settlement rates, disease mix, enacted legislation, open claims, and litigation defense Ashland's claim experience is compared to the results of previously conducted epidemiological studies estimating the number of people likely to develop asbestos-related diseases Those studies were undertaken in connection with national analyses of the population expected to have been exposed to asbestos Using that information, HR&A estimates a range of the number of future claims that may be filed, as well as the related costs that may be incurred in resolving those claims From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs For additional information on asbestos-related litigation, see Note N

Environmental remediation

Accruals for environmental remediation are recognized when it is probable a liability has been incurred and the amount of that liability can be reasonably estimated Such costs are charged to expense if they relate to the remediation of conditions caused by past operations or are not expected to mitigate or prevent contamination from future operations Liabilities are recorded at estimated cost values based on experience, assessments and current technology, without regard to any third-party recoveries and are regularly adjusted as environmental assessments and remediation efforts continue For additional information on environmental remediation, see Note N

Pension and other postretirement benefits

The funded status of Ashland's pension and other postretirement benefit plans is recognized in the Consolidated Balance Sheet The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at September 30, the measurement date For defined benefit pension plans, the benefit obligation is the projected benefit obligation (PBO) and for the other postretirement benefit plans the benefit obligation is the accumulated postretirement benefit obligation (APBO) The PBO represents the actuarial present value of benefits expected to be paid upon retirement based on estimated future compensation levels The APBO represents the actuarial present value of postretirement benefits attributed to employee services already rendered The fair value of plan assets represents the current market value of assets held by an irrevocable trust fund for the sole benefit of participants The measurement of the benefit obligation is based on Ashland's estimates and actuarial valuations These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain key assumptions that require significant judgment, including, but not limited to, estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates and mortality rates For additional information regarding plan assumptions and the current financial position of the pension and other postretirement plans, see Note M

As previously described in this footnote under the "change in accounting policy regarding pension and other postretirement benefits," Ashland elected to change its method of recognizing its actuarial gains and losses associated with these plans See this section for further information on the change in accounting policy and the impact on Ashland's financial statements

Foreign currency translation

Operations outside the United States are measured primarily using the local currency as the functional currency Upon consolidation, the results of operations of the subsidiaries and affiliates whose functional currency is other than the U S dollar are translated into U S dollars at the average exchange rates for the year while assets and liabilities are translated at year-end exchange rates Adjustments to translate assets and liabilities into U S dollars are recorded in the stockholders' equity section of the Consolidated Balance Sheets as a component of accumulated other comprehensive income and are included in net earnings only upon sale or liquidation of the underlying foreign subsidiary or affiliated company

Stock incentive plans

Ashland recognizes compensation expense for stock incentive plans awarded to key employees and directors, primarily in the form of stock appreciation rights (SARs), restricted stock, performance shares and other non-vested stock awards, based upon the grant-date fair value over the appropriate vesting period Ashland utilizes several industry accepted valuation models to determine the fair value For further information concerning stock incentive plans, see Note P

Earnings per share

The following is the computation of basic and diluted earnings per share (EPS) from continuing operations Stock options and SARs for each reported year whose grant price was greater than the market price of Ashland Common Stock at the end of each fiscal year were not included in the computation of income from continuing operations per diluted share because the effect of these instruments would be antidilutive The total number of these shares outstanding was 2 3 million for 2011 and 2 0 million for 2010 and 2009

(In millions except per share data)	2011	2010	2009
Numerator			
Numerator for basic and diluted EPS - Income (loss) from continuing operations	$ 56	$ 88	$ (240)
Denominator			
Denominator for basic EPS - Weighted-average common shares outstanding	78	78	72
Share based awards convertible to common shares (a)	2	1	-
Denominator for diluted EPS - Adjusted weighted-average shares and assumed conversions	80	79	72
EPS from continuing operations			
Basic	$ 0 72	$ 1 14	$ (3 31)
Diluted	0 70	1 11	(3 31)

(a) Since Ashland reported a loss during 2009, U S GAAP requires exclusion of the dilutive effect of shares within this calculation

New accounting pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued accounting guidance related to fair value measurements (The Accounting Standards Codification (ASC) 820-10-15 Fair Value Measurements and Disclosures), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and requires expanded disclosures about fair value measurements This guidance applies to all other accounting pronouncements that require or permit fair value measurements because the FASB has previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute The guidance became effective for financial assets and liabilities of Ashland on October 1, 2008 and nonfinancial assets and liabilities of Ashland on October 1, 2009 Fair value disclosures for financial and nonfinancial assets and liabilities in connection with the adoption are provided in Note F

In December 2007, the FASB issued new guidance for entities that enter into collaborative arrangements (ASC 808-10 Collaborative Arrangements) The guidance defines a collaborative arrangement and establishes presentation and disclosure requirements for transactions among participants in a collaborative arrangement and between participants in the arrangement and third parties This guidance defines a collaborative arrangement as a contractual arrangement that involves two or more parties that both (1) actively participate in a joint operating activity and (2) are exposed to significant risks and rewards that depend on the commercial success of the joint operating activity This guidance became effective for Ashland on October 1, 2009 The adoption of this guidance did not have a material impact on the Consolidated Financial Statements

In December 2007, the FASB issued guidance related to business combinations (ASC 805-10 Business Combinations) which provides that the acquisition method of accounting (formerly referred to as purchase method) be used for all business combinations and that an acquirer be identified for each business combination In addition, the guidance establishes revised principles and requirements for how Ashland will recognize and measure assets, liabilities and expenses related to a business combination This guidance impacts the accounting and reporting of business combinations that occur after October 1, 2009 and the manner in which changes in estimates related to acquisitions that occurred prior to the effective date

In December 2007, the FASB issued guidance related to noncontrolling ownership interests in the Consolidated Financial Statements (ASC 810-10-65-1 Consolidation) This guidance establishes new accounting and reporting standards that require the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled and presented in the consolidated balance sheet within equity, but separate from the parent's equity The guidance also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income In addition, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary shall be initially measured at fair value, with the gain or loss on the deconsolidation of the subsidiary measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment The guidance also clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest and includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest This guidance became effective for Ashland on October 1, 2009 The adoption of this guidance did not have a material impact on the Consolidated Financial Statements

In April 2008, the FASB issued guidance related to the determination of the useful life of intangible assets (ASC 350-30 General Intangibles Other than Goodwill) which amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets The new guidance applies to (1) intangible assets that are acquired individually or with a group of other assets and (2) intangible assets acquired in both business combinations and asset acquisitions This guidance became effective for Ashland on October 1, 2009 The adoption of this guidance did not have an impact on the Consolidated Financial Statements

In December 2008, the FASB issued guidance related to employers' disclosures about postretirement benefit plan assets (ASC 715 Compensation-Retirement Benefits) which requires additional disclosures such as significant risks within plan assets, investment allocation decisions, fair values by major category of plan assets and valuation techniques This guidance became effective for Ashland on September 30, 2010 Additional disclosures resulting from the adoption are provided in Note M

In June 2009, the FASB issued accounting guidance related to variable interest entities (ASC 805 Consolidation) which alters how an entity determines whether it has a controlling financial interest in a variable interest entity This guidance also requires ongoing reassessments of the analysis and provides for enhanced disclosures about an entity's involvement in a variable interest entity This Statement became effective for Ashland on October 1, 2010 The adoption of this guidance did not have a material impact on the Consolidated Financial Statements

In October 2009, the FASB issued accounting guidance related to separating consideration in multiple-deliverable revenue arrangements (ASC 605-25 Revenue Recognition – Multiple-Element Arrangements) Under this guidance, multiple-deliverable arrangements will be accounted for separately (rather than as a combined unit) by selecting the best evidence of selling price among vendor-specific objective evidence, third-party evidence or estimated selling price Additionally, this guidance eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method This guidance became effective for Ashland on October 1, 2010 The adoption of this guidance did not have a material impact on the Consolidated Financial Statements

In May 2011, the FASB issued accounting guidance related to fair value measurements (ASC 820 Fair Value Measurements and Disclosures) The new guidance provides clarification to existing standards, and also provides new required disclosures, primarily related to Level 3 fair value measurements This guidance will become effective for Ashland on January 1, 2012 The adoption of this guidance is not expected to have a material impact on the Consolidated Financial Statements

In June 2011, the FASB issued accounting guidance related to the presentation requirements for components of comprehensive income (ASC 220 Comprehensive Income) Under this guidance, entities will be required to report the components of net income and comprehensive income either in one continuous statement, or in two separate, but consecutive, statements This guidance will become effective for Ashland on October 1, 2012, and will impact Ashland's presentation of the components of other comprehensive income, which is currently presented within the Statements of Consolidated Stockholders' Equity

In September 2011, the FASB issued accounting guidance related to the testing of goodwill for impairment (ASC 350 Intangibles – Goodwill and Other) Under this guidance, entities will have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value This guidance will become effective for Ashland on October 1, 2012, with early adoption of the guidance permitted The adoption of this guidance is not expected to have a material impact on the Consolidated Financial Statements

NOTE B – ACQUISITIONS

International Specialty Products

Background and financing

On August 23, 2011, Ashland completed its acquisition of ISP, a global specialty chemical manufacturer of innovative functional ingredients and technologies, in a transaction valued at $3 2 billion ISP reported sales of $1 9 billion for the twelve months ended September 30, 2011 The purchase price was an all cash transaction, reduced by the amount of ISP's net indebtedness at closing, and is subject to a post-closing adjustment based on changes in ISP's net working capital at closing In addition, the purchase price is subject to post-closing adjustments to the extent that certain change in control payments, termination costs for interest rate swaps, and accrued pension and other post-employment benefit liabilities of ISP exceed specified amounts Ashland has included ISP within the Specialty Ingredients reporting segment, with the exception of ISP's Elastomers business line, a business with $410 million of sales for the twelve months ended September 30, 2011, which has been included within the Performance Materials reporting segment The acquisition was recorded by Ashland using the acquisition method of accounting in accordance with applicable U S GAAP whereby the total purchase price was allocated to tangible and intangible assets and liabilities acquired based on respective fair values

On August 23, 2011, in conjunction with the ISP acquisition closing, Ashland entered into a $3 9 billion senior secured credit facility with a group of lenders The senior secured credit facility is comprised of (i) a $1 5 billion term loan A facility, (ii) a $1 4 billion term loan B facility and (iii) a $1 0 billion revolving credit facility Proceeds from borrowings under the term loan A facility and the term loan B facility were used, together with cash on hand, to finance the cash consideration paid for the ISP acquisition, as well as to finance the repayment of existing indebtedness of ISP in connection with the acquisition

Purchase price allocation

The all-cash purchase price of ISP was $2,127 million Ashland incurred $21 million of transaction costs during 2011 related to the acquisition, which was recorded within the net (loss) gain on acquisitions and divestitures caption within the Statement of Consolidated Income The following table summarizes the values of the assets acquired and liabilities assumed at the date of acquisition

Purchase price allocation (in millions)	At August 23, 2011
Assets:	
Cash	$ 186
Accounts receivable	285
Inventory	381
Other current assets	51
Intangible assets	1,101
Goodwill	1,185
Property, plant and equipment	1,140
Other noncurrent assets	85
Liabilities:	
Accounts payable	(175)
Accrued expenses	(211)
Debt	(1,196)
Deferred tax - net	(570)
Employee benefit obligations	(72)
Other noncurrent liabilities	(63)
Total purchase price	$ 2,127

As of September 30 2011, the purchase price allocation for the acquisition was preliminary and subject to completion Adjustments to the current fair value estimates in the above table may occur as the process conducted for various valuations and assessments is finalized Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized

Intangible assets identified

Ashland has identified approximately $135 million of in-process research and development (IPR&D) projects within the acquired ISP business that, as of the date of acquisition, had not established technological feasibility These projects consist

NOTE B – ACQUISITIONS (continued)

of various enhancements of existing products or new potential applications for products Ashland used various valuation models based on discounted probable future cash flows on a project-by-project basis in identifying 23 projects as distinct assets With the adoption of ASC Topic 805, "Business Combinations," on October 1, 2009, identified IPR&D acquired in a business combination is capitalized and tested for impairment quarterly As such, these assets will be subjected to future impairment or amortization as the individual projects continue through the various stages of the feasibility assessment process

Ashland has also identified approximately $174 million of certain product trade names, within the Specialty Ingredients business, that have been designated as indefinite-lived assets Ashland's designation of an indefinite life for these assets took many factors into consideration, including the current market leadership position of the brands as well as their recognition worldwide in the industry The remaining $792 million of identified finite-lived intangible assets are being amortized over the estimated useful life in proportion to the economic benefits consumed Ashland considered the useful lives of the customer relationships and developed technology to be 18 years and 8 to 15 years, respectively The determination of the useful lives is based upon various industry studies, historical acquisition experience, economic factors, and future cash flows of the combined company In addition, Ashland reviewed certain technological trends and also considered the relative stability in the current ISP customer base

The following details the total intangible assets identified

Intangible asset type (in millions)	Value	Life (years)
Customer relationships - Specialty Ingredients	$ 266	18
Developed technology - Specialty Ingredients	498	8 - 15
Developed technology - Performance Materials	19	8 - 15
IPR&D - Specialty Ingredients	135	Indefinite
Product trade names - Specialty Ingredients	174	Indefinite
Product trade names - Specialty Ingredients	3	4
Product trade names - Performance Materials	6	4
Total	$ 1,101	

Impact on operating results

The results of ISP's operations have been included in Ashland's Consolidated Financial Statements since the August 23, 2011 closing date The following table provides sales and results of operations from the ISP acquired businesses included in Ashland's 2011 results

ISP results of operations (In millions)	August 23, 2011 - September 30, 2011
Sales	$ 205
Income from continuing operations before income taxes	$ 5

The following unaudited pro forma information assumes the acquisition of ISP occurred at the beginning of the respective periods presented and excludes certain nonrecurring charges, such as purchase accounting adjustments and charges related to restructuring such as severance, that were deemed necessary to exclude for comparability purposes

Unaudited pro forma information (In millions, except per share amounts)	Fiscal years ended September 30 2011	 2010
Sales	$ 8,150	$ 7,210
Income from continuing operations	$ 106	$ 81
Net income	$ 464	$ 134
Basic earnings per share		
Income from continuing operations	$ 1 35	$ 1 04
Net income	$ 5 91	$ 1 72
Diluted earnings per share		
Income from continuing operations	$ 1 33	$ 1 02
Net income	$ 5 80	$ 1 69

The unaudited pro forma information presented above is for illustrative purposes only and does not purport to be indicative of the results of future operations of Ashland or the results that would have been attained had the operations been combined during the periods presented

Ara Quimica

In April 2010, Ashland acquired the remaining 50% interest in Ara Quimica S A (Ara Quimica), a leading producer of custom unsaturated polyester resin formulations for the composites industry in South America, for $28 million Prior to the acquisition, Ashland owned a 50% interest in Ara Quimica, which it recorded as an equity-method investment within the Performance Materials reporting segment During 2010, Ashland recognized a pretax gain of $23 million as a result of revaluing its existing equity interest held in Ara Quimica before the business combination The gain was included in the net gain on acquisitions and divestitures caption on the Statements of Consolidated Income As a result of this transaction, Ashland recorded $19 million of current assets and $61 million of long-term assets, which includes $55 million of goodwill and intangible assets In addition, Ashland recorded $18 million of current liabilities and $6 million of noncurrent liabilities

Hercules

On November 13, 2008, Ashland completed its acquisition of Hercules Incorporated (Hercules) in a transaction valued at approximately $3 4 billion The total merger consideration for outstanding Hercules Common Stock was $2,594 million, including $2,096 million in cash, $450 million in Ashland Common Stock with the remaining value of the transaction related to cash consideration and value for restricted stock units, stock options and transaction costs In addition, Ashland assumed $798 million in debt as a part of the transaction The acquired businesses of Hercules currently comprise significant portions of the Specialty Ingredients and Water Technologies reporting segments

Under the purchase method of accounting under U S GAAP in effect at the time of the Hercules acquisition, purchased IPR&D projects that had not established technological feasibility and had no alternative use at the date of acquisition were required to be charged to expense During 2009, Ashland recorded pretax charges totaling $10 million associated with the Hercules acquisition within the research and development expense caption of the Statements of Consolidated Income

NOTE C – DIVESTITURES

Ashland Distribution

On March 31, 2011, Ashland completed the sale to Nexeo Solutions, LLC (formerly known as TPG Accolade, LLC (Nexeo)) of substantially all of the assets and certain liabilities of its global distribution business which previously comprised the Ashland Distribution (Distribution) segment The transaction was an asset sale with the total post-closing adjusted cash proceeds received by Ashland of $972 million, before transaction fees and taxes Ashland recognized an after-tax gain of $271 million The tax effects on the gain were partially offset by a $72 million release of tax valuation allowances on a capital loss carry-forward generated from the December 2008 divestiture of Ashland's interest in FiberVisions Holdings LLC The gain was included within the discontinued operations caption in the Statements of Consolidated Income for 2011 Ashland Distribution recorded sales of $3,419 million during the fiscal year ended September 30, 2010 and employed approximately 2,000 employees across North America and Europe

Because this transaction signifies Ashland's exit from the distribution business, the results of operations and cash flows of Distribution have been classified as discontinued operations for all periods presented Certain indirect corporate costs included within selling, general and administrative expense that were previously allocated to the Distribution reporting

NOTE C – DIVESTITURES (continued)

segment that do not qualify for discontinued operations accounting classification are now reported as costs within the Unallocated and other section of continuing operations, and equaled $36 million, $31 million and $25 million for 2011, 2010 and 2009, respectively Ashland is currently implementing plans to reduce these stranded costs

Ashland will retain and has agreed to indemnify Nexeo for certain liabilities of the Distribution business arising prior to the closing of the sale This includes pension and other postretirement benefits, as well as certain other liabilities, including certain litigation and environmental liabilities relating to the pre-closing period, as described in the definitive agreement Costs directly related to these expenses have been included within the discontinued operations caption for 2011, 2010 and 2009 The ongoing effects of the pension and postretirement plans for former Distribution employees will be reported within the Unallocated and other section of continuing operations subsequent to March 31, 2011

As part of this sale, Ashland is receiving transition service fees for ongoing administrative and other services being provided to Nexeo During 2011 Ashland recognized transition service fees of $17 million, which offset costs within the selling, general and administrative expense caption of the Statements of Consolidated Income While the transition service agreements vary in duration depending upon the type of service provided, Ashland is implementing plans to reduce costs as the transition services are phased out See Note D for further information on the results of operations of Distribution for all periods presented

Held for sale classification

As a result of the Distribution divestiture, the assets and liabilities of Distribution for prior periods have been reflected as assets and liabilities held for sale within the Consolidated Balance Sheets and are comprised of the following components as of September 30, 2010

(In millions - unaudited)	September 30, 2010
Accounts receivable	$ 494
Inventories	197
Other current assets	2
Current assets held for sale	$ 693
Property, plant and equipment, net	$ 179
Goodwill and intangible assets	82
Noncurrent assets held for sale	$ 261
Trade payables	$ 315
Accrued expenses and other liabilities	6
Current liabilities held for sale	$ 321

In addition to the Distribution assets and liabilities identified above as held for sale, Ashland held other noncurrent assets for sale of $2 million and $9 million as of September 30, 2011 and 2010, respectively, primarily related to non-operational properties and certain Valvoline Instant Oil Change™ locations The noncurrent assets held for sale are recorded at the lower of carrying value or below this level if an impairment is indicated The fair values were based on definitive agreements of sale or other market quotes which would be considered significant unobservable market inputs (Level 3) within the fair value hierarchy See Note G for further information on the fair value hierarchy

Casting Solutions Joint Venture

In July 2010, Ashland and Sud-Chemie AG (Sud-Chemie) signed an agreement for the formation of an expanded global joint venture serving the foundry chemical sector The transaction closed on November 30, 2010 and combined three businesses (i) Ashland's Casting Solutions business group, (ii) Sud-Chemie's Foundry-Products and Specialty Resins business unit, and (iii) Ashland-Sudchemie-Kernfest GmbH (ASK), the then existing 50% owned European-based joint venture between Ashland and Sud-Chemie, for which Ashland historically only recognized equity income of the joint venture within its consolidated results Ashland's Casting Solutions and ASK businesses recorded sales of $279 million and $145 million, respectively, during each businesses' most recently completed fiscal year prior to the closing The Foundry-Products and Specialty Resins business unit of Sud-Chemie contributed to the joint venture generated sales of approximately $146 million for its most recently completed fiscal year prior to the closing

During the fifth year of the joint venture's operations, Ashland will have the option to sell its shares in the expanded global joint venture to Sud-Chemie under mutually agreed terms If Ashland does not execute this option by the end of the sixth year of the joint venture's operations, Sud-Chemie will have the option to acquire Ashland's shares under mutually agreed terms Under both options, if mutually agreed terms cannot be reached, then the fair market value of the shares will be determined through an appraisal process set forth in the agreement

Upon closing of the transaction, the joint venture distributed a $21 million net payment to Ashland in accordance with the agreement From the closing date of the transaction through the end of 2011, Ashland received an additional $46 million cash payment from the joint venture, representing final distributions resulting from post-closing activities and measurements set forth in the agreement

Ashland recognized a pretax gain of $23 million during 2011, attributable to the fair market value of the net assets contributed to the joint venture For the majority of the valuation of the contributed assets and liabilities, Ashland utilized the discounted cash flow method, however, the adjusted book value method was also used in some areas of the valuation The gains were included in the net gain on acquisitions and divestitures caption in the Statements of Consolidated Income The recorded values of assets and liabilities contributed on the closing date of the transaction by Ashland to the expanded joint venture, excluding equity interests, were as follows

(In millions)	Assets (liabilities)
Cash	$ 9
Accounts receivable	52
Inventories	21
Property, plant and equipment	34
Goodwill	52
Trade and other payables	(24)
Other noncurrent assets (liabilities) - net	11
	$ 155

Ashland's equity interest in the expanded joint venture qualifies for equity method accounting treatment under U S GAAP As a result, beginning on December 1, 2010, the results of the Performance Materials segment no longer includes the sales, cost of sales, selling, general and administrative expense and corresponding taxes related to the Casting Solutions business, however, Ashland includes the financial results of the joint venture within operating income of the Performance Materials segment and in the equity and other income caption of the Statements of Consolidated Income In addition, the expanded joint venture has resulted in certain stranded costs that Ashland is currently implementing cost reduction plans to eliminate

Pinova

In January 2010, Ashland sold its refined wood rosin and natural wood terpenes business, formerly known as Pinova, a business unit of Specialty Ingredients, to TorQuest Partners in a transaction valued at approximately $75 million before tax, which was comprised of $60 million in cash and a $15 million five-year promissory note from TorQuest Partners The Pinova business, with annual revenues of approximately $85 million per year, had approximately 200 employees along with an associated manufacturing facility located in Brunswick, Georgia The transaction resulted in a pretax gain of less than $1 million, which was included in the net gain on acquisitions and divestitures caption on the Statements of Consolidated Income As part of this transaction, TorQuest Partners has agreed to continue to manufacture certain products on behalf of Ashland

Drew Marine

In August 2009, Ashland sold its global marine services business known as Drew Marine, a business unit of Water Technologies, to J F Lehman & Co in a transaction valued at approximately $120 million before tax, which was subsequently reduced by $4 million after giving affect to post-closing adjustments related primarily to working capital Drew Marine businesses had annual sales of approximately $140 million per year The transaction resulted in an initial pretax gain of $56 million during 2009, which was included in the net gain on acquisitions and divestitures caption on the Statements of Consolidated Income As part of this transaction, Ashland has agreed to continue to manufacture certain products for Drew Marine

FiberVisions

In December 2008, Ashland completed the sale of its indirectly held 33 5% ownership interest in FiberVisions Holdings, LLC (FiberVisions) to Snow Phipps Group, LLC (Snow Phipps), a New York-based private equity firm and the majority owner of FiberVisions for $7 million FiberVisions, a leading global producer of specialty fibers for nonwoven fabrics and textile fibers used in consumer and industrial products, was acquired by Ashland as part of the Hercules acquisition The sale of Ashland's interest in FiberVisions generated a capital loss of approximately $220 million for tax purposes that can be

NOTE C – DIVESTITURES (continued)

used to offset capital gains At the time of the sale, the unutilized capital loss benefit was fully offset by a deferred tax asset valuation allowance because Ashland is not permitted to anticipate additional future capital gains, therefore, no tax benefit was recognized on this transaction For further information on income taxes, see Note L

NOTE D – DISCONTINUED OPERATIONS

As previously described in Note C, on March 31, 2011 Ashland completed the sale of substantially all of the assets and certain liabilities of Distribution Ashland has determined that this exit of the Distribution business qualifies as a discontinued operation, in accordance with U S GAAP, since Ashland does not have significant continuing involvement in the distribution business As a result, operating results and cash flows related to Distribution have been reflected as discontinued operations in the Statements of Consolidated Income and Statements of Consolidated Cash Flows, while assets and liabilities that were sold have been classified within the September 30, 2010 Consolidated Balance Sheet as held for sale Sales recognized for the six month period Distribution was still owned by Ashland in 2011 were $1,868 million, while sales recognized for Distribution in 2010 and 2009 were $3,419 million and $3,020 million, respectively

On August 28, 2006, Ashland completed the sale of the stock of Ashland Paving And Construction, Inc (APAC) to Oldcastle Materials, Inc (Oldcastle) for $1 3 billion The sale qualified as a discontinued operation and, as a result, the previous operating results, assets and liabilities related to APAC have been reflected as discontinued operations in the Consolidated Financial Statements Ashland has made subsequent adjustments to the gain on the sale of APAC, primarily relating to the tax effects of the sale, during 2011, 2010 and 2009 Due to the ongoing assessment of certain tax matters associated with this divestiture, subsequent adjustments to this gain may continue in future periods in the discontinued operations caption in the Statements of Consolidated Income

During 2003, Ashland completed the sale of the net assets of its Electronic Chemicals business and certain related subsidiaries that qualified as a discontinued operation Ashland has made subsequent adjustments to the sale of Electronic Chemicals, primarily relating to environmental liabilities and tax effects of the sale Due to the ongoing assessment of certain matters associated with this divestiture, subsequent adjustments to this sale may continue in future periods in the discontinued operations caption in the Statements of Consolidated Income

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos Such claims result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley), a former subsidiary, which qualified as a discontinued operation and from the acquisition during 2009 of Hercules, a wholly-owned subsidiary of Ashland Additional adjustments to the recorded litigation reserves and related insurance receivables continue annually and primarily reflect updates to the estimates See Note N for further discussion of Ashland's asbestos-related activity including assumed Hercules obligations

During 2009, Ashland recorded two adjustments that related to prior periods within the discontinued operations caption of the Statements of Consolidated Income These included a charge related to a change in the duration period on a retained environmental liability from the Electronic Chemicals business and a charge related to a tax basis adjustment from the APAC divestiture Ashland assessed the affect these adjustments had on income from discontinued operations and net income in the current and prior periods and, after considering quantitative and qualitative factors, determined such adjustments to be below the threshold that would necessitate a restatement of the consolidated financial statements for the prior years Ashland also considered the impact of these prior period adjustments on its internal controls and financial reporting and based on qualitative and quantitative factors, including the discrete nature of the transactions involved, concluded that the matters did not indicate a material weakness in internal controls over financial reporting

Components of amounts reflected in the Statements of Consolidated Income related to discontinued operations are presented in the following table for each of the years ended September 30

(In millions)		2011		2010		2009
Income (loss) from discontinued operations						
Distribution	$	95	$	30	$	(21)
Asbestos-related litigation reserves, expenses and related receivables		27		29		2
Electronic Chemicals		2		-		-
APAC		-		-		1
Gain (loss) on disposal of discontinued operations						
Distribution		354		-		-
Electronic Chemicals		-		3		(4)
Income (loss) before income taxes		478		62		(22)
Income tax (expense) benefit						
Benefit (expense) related to income (loss) from discontinued operations						
Distribution		(33)		(8)		7
Asbestos-related litigation reserves and expenses		(7)		(8)		-
APAC		-		-		(1)
Benefit (expense) related to gain (loss) on disposal of discontinued operations						
Distribution		(83)		-		-
APAC		3		8		(6)
Electronic Chemicals		-		(1)		1
Income (loss) from discontinued operations (net of income taxes)	$	358	$	53	$	(21)

NOTE E – UNCONSOLIDATED AFFILIATES

Summarized financial information for companies accounted for on the equity method is presented in the following table, along with a summary of the amounts recorded in Ashland's Consolidated Financial Statements At September 30, 2011 and 2010, Ashland's retained earnings included $52 million and $55 million, respectively, of undistributed earnings from unconsolidated affiliates accounted for on the equity method

The summarized financial information for all companies accounted for on the equity method by Ashland is as of and for the years ended September 30, 2011, 2010 and 2009, respectively

(In millions)		2011 (a)		2010 (b)		2009
Financial position						
Current assets	$	499	$	229		
Current liabilities		(237)		(89)		
Working capital		262		140		
Noncurrent assets		372		62		
Noncurrent liabilities		(163)		(7)		
Stockholders' equity	$	471	$	195		
Results of operations						
Sales	$	1,128	$	561	$	517
Income from operations		65		66		52
Net income		40		38		32
Amounts recorded by Ashland						
Investments and advances	$	193	$	76	$	79
Equity income		17		19		14
Distributions received		5		17		15

(a) Amounts in 2011 include the results of the Casting Solutions businesses' expanded global joint venture with Sud-Chemie since it was formed in December 2010 For further information on this transaction, see Note C

(b) Amounts in 2010 exclude Ara Quimica which was acquired in April 2010

NOTE F – RESTRUCTURING ACTIVITIES

Ashland periodically implements restructuring programs related to acquisitions, divestitures or other cost reduction programs in order to enhance profitability through streamlined operations and an improved overall cost structure for each business As of September 30, 2011, the remaining restructuring reserves for previously announced programs principally

NOTE F – RESTRUCTURING ACTIVITIES (continued)

consisted of severance payments from the 2009 Hercules Integration Plan, which resulted in 12 permanent facility closings and a reduction in the global workforce of over 2,000 employees between 2008 and 2010, and the Performance Materials restructuring, which consisted of several plant closings and an operational redesign to eliminate excess capacity that was announced during 2010 The total restructuring cost incurred under these plans during 2010 was $15 million, and was classified within the selling, general and administrative expense caption of the Statements of Consolidated Income The total restructuring cost incurred during 2009 was $96 million, of which $75 million had been charged as an expense within the Statements of Consolidated Income, consisting of $58 million classified within the selling, general and administrative expense caption and $17 million of accelerated depreciation charged to the cost of sales caption The remaining cost of $21 million related to severance associated with Hercules personnel, which qualified for the purchase method of accounting in accordance with U S GAAP at that time, and had no effect on the Statements of Consolidated Income

During 2011, Ashland announced steps to reduce stranded costs resulting from the divestiture of Distribution and the contribution of the Casting Solutions business to the new global joint venture with Sud-Chemie In addition, Ashland is currently taking action to integrate ISP into the Specialty Ingredients and Performance Materials businesses, subsequent to its purchase in August 2011 As a first step to address cost reduction opportunities resulting from these transactions, Ashland announced a voluntary severance offer (VSO) in June 2011 to approximately 1,500 regular, full-time, non-union, U S -based employees, primarily within various shared resource groups as well as certain positions within the Specialty Ingredients business As of September 30, 2011, 150 employees have been formally approved for the VSO An involuntary program was also initiated as a further step to capture targeted saving levels from these transactions and other business cost saving initiatives The VSO and involuntary program resulted in a severance charge of $34 million classified within the selling, general and administrative expense caption of the Statements of Consolidated Income Ashland anticipates additional subsequent charges from ongoing efforts to maximize operational efficiencies as a result of these transactions

The following table details at September 30, 2011, 2010 and 2009, the amount of restructuring reserves related to the programs discussed above, and the related activity in these reserves during 2011, 2010 and 2009 The reserves are included in accrued expenses and other liabilities in the Consolidated Balance Sheet

(In millions)	Severance	Plant closure/ other costs	Total
Balance as of September 30, 2008	$ 7	-	$ 7
Restructuring reserve	75	21	96
Utilization (cash paid or otherwise settled)	(44)	(21)	(65)
Balance as of September 30, 2009	38	-	38
Restructuring reserve	15	-	15
Utilization (cash paid or otherwise settled)	(27)	-	(27)
Balance at September 30, 2010	26	-	26
Restructuring reserve	34	-	34
Utilization (cash paid or otherwise settled)	(15)	-	(15)
Balance as of September 30, 2011	$ 45	$ -	$ 45

NOTE G – FAIR VALUE MEASUREMENTS

As required by U S GAAP, Ashland uses applicable guidance for defining fair value, the initial recording and periodic remeasurement of certain assets and liabilities measured at fair value and related disclosures for instruments measured at fair value Fair value accounting guidance establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) An instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement The three levels within the fair value hierarchy are described as follows

Level 1 – Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active

Level 3 – Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date Unobservable inputs reflect Ashland's own assumptions about what market participants would use to price the asset or liability The inputs are developed based on the best information available in the circumstances, which might include Ashland's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment

For assets that are measured using quoted prices in active markets (Level 1), the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs Assets and liabilities that are measured using significant other observable inputs (Level 2) are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability For all other assets and liabilities for which unobservable inputs are used (Level 3), fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models that Ashland deems reasonable

The following table summarizes financial asset instruments subject to recurring fair value measurements as of September 30, 2011 For additional information on fair value hierarchy measurements of pension plan asset holdings, see Note M

(In millions)	Carrying value	Total fair value	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Assets					
Cash and cash equivalents	$ 737	$ 737	$ 737	$ -	$ -
Auction rate securities	10	10	-	-	10
Deferred compensation investments (a)	185	185	76	109	-
Investment of captive insurance company (a)	2	2	2	-	-
Foreign currency derivatives	1	1	-	1	-
Total assets at fair value	$ 935	$ 935	$ 815	$ 110	$ 10
Liabilities					
Interest rate swap derivatives	$ 20	$ 20	$ -	$ 20	$ -

(a) Included in other noncurrent assets in the Consolidated Balance Sheets

The following table summarizes financial asset instruments subject to recurring fair value measurements as of September 30, 2010

(In millions)	Carrying value	Total fair value	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Assets					
Cash and cash equivalents	$ 417	$ 417	$ 417	$ -	$ -
Auction rate securities	22	22	-	-	22
Deferred compensation investments (a)	169	169	62	107	-
Investment of captive insurance company (a)	2	2	2	-	-
Foreign currency derivatives	2	2	-	2	-
Total assets at fair value	$ 612	$ 612	$ 481	$ 109	$ 22
Liabilities					
Foreign currency derivatives	$ 1	$ 1	$ -	$ 1	$ -

(a) Included in other noncurrent assets in the Consolidated Balance Sheets

Level 3 instruments

Auction rate securities

At September 30, 2011 and 2010, Ashland held at par value $12 million and $25 million, respectively, in student loan auction rate securities for which there was not an active market with consistent observable inputs In February 2008, the auction rate securities market became largely illiquid, as there was not enough demand to purchase all of the securities that

NOTE G – FAIR VALUE MEASUREMENTS (continued)

holders desired to sell at par value during certain auctions Since this time, the market for auction rate securities has failed to achieve equilibrium As of September 30, 2008, Ashland had recorded, as a component of stockholders' equity, a temporary $32 million unrealized loss on the portfolio As of that date, all the student loan instruments held by Ashland were AAA rated and collateralized by student loans which are substantially guaranteed by the U S government under the Federal Family Education Loan Program Ashland's estimate of fair value for auction rate securities as of September 30, 2008 was based on various internal discounted cash flow models and relevant observable market prices and quotes The assumptions within the models include credit quality, liquidity, estimates on the probability of each valuation model and the impact due to extended periods of maximum auction rates

During the first quarter of 2009, Ashland liquidated $20 million (par value) auction rate securities for $18 million in cash proceeds and recognized a loss of $2 million, which was the recorded book value of this instrument As a result of this sale, as well as Ashland's debt structure following the Hercules acquisition and the ongoing impact from the global economic downturn at that time, Ashland also determined during 2009 that it no longer had the intent to hold these instruments until their maturity date As a result, Ashland recorded the remaining $30 million unrealized loss as a permanent realized loss in the other expenses caption of the Consolidated Statement of Income A full valuation allowance was established for this tax benefit at December 31, 2008 because for tax purposes Ashland did not have capital gains to offset this capital loss For further information on income taxes, see Note L

At September 30, 2011 and 2010, auction rate securities were recorded at $10 million and $22 million, respectively, and were classified as noncurrent assets in the Consolidated Balance Sheets Due to the uncertainty as to when consistent active trading will resume in the auction rate securities market, Ashland continues to believe the recovery period for certain of these securities may extend beyond a twelve-month period As a result, Ashland classified these instruments as noncurrent at September 30, 2011 and 2010 in the Consolidated Balance Sheets At September 30, 2011, scheduled maturities for auction rate securities were as follows

(In millions)	Amortized cost	Fair value
Over 30 years	$ 12	$ 10

The following table provides a reconciliation of the beginning and ending balances of Ashland's auction rate securities, as these are Ashland's only assets measured at fair value using significant unobservable inputs (Level 3)

(In millions)	Level 3
Balance as of October 1, 2009 (par value)	$ 170
Sales of auction rate securities	(150)
Realized gain recognized in the Consolidated Statement of Income	2
Transfers in and/or (out) of Level 3	-
Balance as of October 1, 2010 (par value)	22
Sales of auction rate securities	(11)
Realized loss recognized in the Consolidated Statement of Income	(1)
Transfers in and/or (out) of Level 3	-
Balance as of September 30, 2011	$ 10

Derivative and hedging activities

Currency hedges

Ashland conducts business in a variety of foreign currencies Accordingly, Ashland regularly uses foreign currency derivative instruments to manage exposure on certain transactions denominated in foreign currencies to curtail the earnings volatility effects of short-term assets and liabilities denominated in currencies other than Ashland's functional currency of an entity

Ashland contracts with counter-parties to buy and sell foreign currencies to offset the impact of exchange rate changes on transactions denominated in non-functional currencies, including short-term inter-company loans These contracts generally require exchange of one foreign currency for another at a fixed rate at a future date and generally have maturities of less than twelve months All contracts are marked-to-market with net changes in fair value recorded within the selling, general and administrative expense caption The impacts of these contracts were largely offset by gains and losses resulting from the impact of changes in exchange rates on transactions denominated in non-functional currencies The following table summarizes the gain/(losses) recognized during 2011, 2010 and 2009 within the Statements of Consolidated Income

(In millions)	2011	2010	2009
Foreign currency derivative (losses) gains	$ 5	$ (3)	$ 6

The following table summarizes the fair values of the outstanding foreign currency derivatives as of September 30, 2011 and 2010 included in other current assets and trade and other payables of the Consolidated Balance Sheets

(In millions)	2011	2010
Foreign currency derivative assets	$ 1	$ 2
Notional contract values	62	86
Foreign currency derivative liabilities	$ -	$ 1
Notional contract values	35	41

Interest rate hedges

During 2011, Ashland entered into interest rate swap agreements in order to manage the variable interest rate risk associated with term loans A and B that were borrowed in conjunction with the ISP acquisition As of September 30, 2011, the total notional value of interest rate swaps related to term loans A and B equaled $1 5 billion and $650 million, respectively These instruments qualify for hedge accounting whereby Ashland records these hedges at fair value, with the effective portion of the gain or loss reported as a component of accumulated other comprehensive income (AOCI) and subsequently recognized in the Statements of Consolidated Income when the hedged item affects net income There was no hedge ineffectiveness with these instruments during 2011

The fair value of Ashland's interest rate swap assets and liabilities are calculated using standard pricing models These models utilize inputs derived from observable market data such as interest rate spot rates and forward rates, and are deemed to be Level 2 measurements within the fair value hierarchy Counterparties to these interest rate swap agreements are highly rated financial institutions which Ashland believes carry only a minimal risk of nonperformance The following table summarizes the fair values of the outstanding interest rate swap instruments as of September 30, 2011

(In millions)	Consolidated balance sheet caption	Fair value at September 30, 2011
Interest rate swap liabilities	Accrued expenses and other liabilities	$ 17
Interest rate swap liabilities	Other noncurrent liabilities	$ 3

The following table summarizes the unrealized loss on interest rate hedges recognized in AOCI during 2011, as well as the loss reclassified from AOCI to income during 2011 The loss reclassified to income during 2011 was recorded in the net interest and other financing expense caption within the Statement of Consolidated Income

(In millions)	Change in unrealized loss in AOCI	Loss reclassified from AOCI to income
Interest rate hedges	$ 21	$ 1

During 2009, Ashland purchased a three year interest rate cap on a notional amount of $300 million of variable rate debt This interest rate cap fixes Ashland's interest rate on that outstanding variable interest rate debt when LIBOR interest rates equal or exceed 7% on a reset date This interest rate cap qualifies as an interest rate swap within the provisions of the senior credit agreement, but does not qualify for hedge accounting As a result, gains or losses reflecting changes in fair value, along with the amortization of the upfront premium paid by Ashland to purchase the instrument, are reported in the Statements of Consolidated Income within the net interest and other financing (expense) income caption As of September 30, 2011 and 2010, the fair value of the interest rate cap was less than $1 million and recorded within the other noncurrent assets caption of the Consolidated Balance Sheets

Long-term debt instruments

At September 30, 2011 and 2010, Ashland's long-term debt (including current portion) had a carrying value of $3,749 million and $1,153 million, respectively, compared to a fair value of $3,953 million and $1,402 million, respectively The fair values of long-term debt are based on quoted market prices or, if market prices are not available, the present values of the underlying cash flows discounted at Ashland's incremental borrowing rates, and are deemed to be Level 2 measurements within the fair value hierarchy

NOTE H – GOODWILL AND OTHER INTANGIBLES

In accordance with U S GAAP, Ashland reviews goodwill and other intangible assets for impairment either annually or when events and circumstances indicate an impairment may have occurred This annual assessment is performed as of July 1 and consists of Ashland determining each reporting unit's current fair value compared to its current carrying value Ashland has determined that its reporting units for allocation of goodwill include the Specialty Ingredients, Water Technologies and Consumer Markets reportable segments, and the Composite Polymers/Specialty Polymers and Adhesives reporting unit within the Performance Materials reporting segment

When externally quoted market prices of Ashland's reporting units are not readily available, Ashland makes various estimates and assumptions in determining the estimated fair values of those units through the use of discounted cash flow models Discounted cash flow models are highly reliant on various assumptions Significant assumptions Ashland utilized in these models included projected business results and future industry direction, long-term growth factors and Ashland's weighted-average cost of capital Ashland uses assumptions that it deems to be conservative estimates of likely future events and compares the total fair values of each reporting unit to a market multiples valuation technique and in aggregate sums the total discounted cash flow results and compares it to Ashland's market capitalization, and implied control premium, to determine if the fair values are reasonable compared to external market indicators In conjunction with the July 1 annual assessment of goodwill, Ashland's valuation techniques did not indicate any impairment

Ashland's assessment of an impairment charge on any of these assets currently classified as having indefinite lives, including goodwill, could change in future periods if any or all of the following events were to occur with respect to a particular reporting unit a significant change in projected business results, a divestiture decision, negative change in Ashland's weighted-average cost of capital rates, growth rates or other assumptions, economic deterioration that is more severe or of a longer duration than anticipated, or another significant economic event

Ashland's purchase of ISP increased goodwill by $1,185 million In connection with the goodwill associated with this acquisition, Ashland determined that a certain amount of the goodwill should be allocated to all reporting units because each reporting unit will benefit from synergies related to the acquisition that will increase these businesses' overall reported profitability Ashland calculated the increased value that each reporting unit is expected to receive from the estimated synergy savings, which was then multiplied by industry valuation multiples for each specific reporting unit, in determining the appropriate amount of goodwill to allocate for this transaction This allocation of goodwill to other segments and the calculation methodology used is consistent with Ashland's historical policy on significant acquisitions

The following is a progression of goodwill by segment for the years ended September 30, 2011 and 2010

(In millions)	Specialty Ingredients	Water Technologies	Performance Materials (a)	Consumer Markets	Total
Balance at September 30, 2009	$ 1,106	$ 626	$ 293	$ 115	$ 2,140
Acquisitions	4	2	42	-	48
Currency translation	(30)	(8)	(2)	-	(40)
Balance at September 30, 2010	1,080	620	333	115	2,148
Acquisitions (b)	1,007	55	71	52	1,185
Divestitures	-	-	(52)	-	(52)
Other (c)	11	5	-	-	16
Currency translation	(6)	(4)	5	(1)	(6)
Balance at September 30, 2011	$ 2,092	$ 676	$ 357	$ 166	$ 3,291

(a) The addition of $42 million of goodwill during 2010 is related to the Ara Quimica acquisition Within the Performance Materials reportable segment as of September 30, 2010, because further discrete financial information is provided and management regularly reviews this information, this reportable segment was further broken down into the Casting Solutions and Composite Polymers/Specialty Polymers and Adhesives reporting units Goodwill consisted of $52 million and $281 million, respectively, for the Casting Solutions and Composite Polymers/Specialty Polymers and Adhesives reporting units as of September 30, 2010 The reduction of $52 million of goodwill during 2011 is related to the contribution of Ashland's Casting Solutions business to the expanded global joint venture with Sud-Chemie on November 30, 2010

(b) The addition of $1 185 million of goodwill during 2011 is related to the ISP acquisition, which is not deductible for tax purposes

(c) The adjustment primarily relates to deferred tax balances associated with the Hercules acquisition

Intangible assets principally consist of trademarks and trade names, intellectual property, customer lists, IPR&D and sale contracts Intangible assets are amortized on a straight-line basis over their estimated useful lives The cost of trademarks and trade names is amortized principally over 4 to 25 years, intellectual property over 5 to 20 years, customer relationships over 3 to 24 years and other intangibles over 2 to 50 years

Certain intangible assets within IPR&D and trademarks and trade names have been classified as indefinite-lived and had a balance of $599 million and $290 million as of September 30, 2011 and 2010, respectively In accordance with U S GAAP, Ashland reviews these intangible assets quarterly for possible impairment or whenever events or changes in circumstances indicate that carrying amounts may not be recoverable In conjunction with the July 1 annual assessment of indefinite-lived intangible assets, Ashland's models did not indicate any impairment Intangible assets were comprised of the following as of September 30, 2011 and 2010

	2011			2010		
(In millions)	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Trademarks and trade names	$ 536	$ (31)	$ 505	$ 353	$ (27)	$ 326
Intellectual property	848	(87)	761	331	(63)	268
Customer relationships	846	(116)	730	583	(78)	505
IPR&D	135	-	135	-	-	-
Other intangibles	35	(32)	3	39	(27)	12
Total intangible assets	$ 2,400	$ (266)	$ 2,134	$ 1,306	$ (195)	$ 1,111

Amortization expense recognized on intangible assets was $74 million for 2011, $68 million for 2010 and $68 million for 2009, and is primarily included in the selling, general and administrative expense caption of the Statements of Consolidated Income As of September 30, 2011, all of Ashland's intangible assets that had a carrying value were being amortized except for IPR&D and certain trademarks and trade names that currently have been determined to have indefinite lives Estimated amortization expense for future periods is $120 million in 2012, $119 million in 2013, $117 million in 2014, $114 million in 2015 and $111 million in 2016

NOTE I – DEBT

The following table summarizes Ashland's current and long-term debt at September 30, 2011 and 2010

(In millions)	2011	2010
Term Loan A, due 2016 (a)	$ 1,500	$ -
Term Loan B, due 2018 (a)	1,400	-
Term Loan A, due 2014 (a)	-	293
9 125% notes, due 2017	633	630
6 50% junior subordinated notes, due 2029 (b)	128	126
6 60% notes, due 2027 (b)	12	12
Accounts receivable securitization	-	40
Medium-term notes, due 2013-2019, interest at a weighted-average rate of 8 4% at September 30, 2011 (7 7% to 9 4%)	21	21
8 80% debentures, due 2012	20	20
Hercules Tianpu - term notes, due through 2011	-	14
Hercules Nanjing - term notes, due 2013	35	34
Other international loans, interest at a weighted-average rate of 6 7% at September 30, 2011 (1 8% to 8 0%)	81	30
Other	2	4
Total debt	3,832	1,224
Short-term debt	(83)	(71)
Current portion of long-term debt	(101)	(45)
Long-term debt (less current portion)	$ 3,648	$ 1,108

(a) Senior credit facilities
(b) Retained instrument from the Hercules acquisition

At September 30, 2011 Ashland's total debt had an outstanding principal balance of $4,008 million and discounts of $176 million The scheduled aggregate maturities of debt for the next five fiscal years are as follows $184 million in 2012, $129 million in 2013, $176 million in 2014, $172 million in 2015 and $1,064 million in 2016

Senior credit facilities

On August 23, 2011, in conjunction with the ISP acquisition closing, Ashland entered into a $3 9 billion senior secured credit facility with a group of lenders (the Senior Credit Facility) The Senior Credit Facility is comprised of (i) a

NOTE I – DEBT (continued)

$1 5 billion term loan A facility, (ii) a $1 4 billion term loan B facility and (iii) a $1 0 billion revolving credit facility Proceeds from borrowings under the term loan A facility and the term loan B facility were used, together with cash on hand, to finance the cash consideration paid for the ISP acquisition, as well as to finance the repayment of existing indebtedness of ISP in connection with the acquisition

The Senior Credit Facility is guaranteed by Ashland's existing and future subsidiaries (other than certain immaterial subsidiaries, joint ventures, special purpose financing subsidiaries, regulated subsidiaries, certain foreign subsidiaries and certain other subsidiaries), and is secured by a first-priority security interest in substantially all the personal property assets, and certain real property assets, of Ashland and the guarantors, including all or a portion of the equity interests of certain of Ashland's domestic subsidiaries and first-tier foreign subsidiaries and, in certain cases, a portion of the equity interests of other foreign subsidiaries The term loan A facility was drawn in full at closing and is required to be repaid by Ashland in consecutive quarterly installments beginning on December 31, 2011, with an aggregate amount equal to 5% of the original principal amount of such facility due in each of the first and second years after August 23, 2011 (the closing date), an aggregate amount equal to 10% of the original principal amount due in each of the third and fourth years after the closing date, an aggregate amount equal to 15% of the original principal amount due in the fifth year after the closing date, and a final payment of all outstanding principal and interest due on August 23, 2016 The term loan B facility was also drawn in full at closing and is required to be repaid by Ashland in consecutive quarterly installments beginning on December 31, 2011, with an aggregate amount equal to 1% of the original principal amount of such facility due in each of the seven years after the closing date, and a final payment of all outstanding principal and interest due on August 23, 2018 Total borrowing capacity remaining under the $1 0 billion revolving credit facility was $914 million, representing a reduction of $86 million for letters of credit outstanding at September 30, 2011

At Ashland's option, loans issued under the credit agreement carry interest rates of LIBOR or an alternate base rate, in each case plus the applicable interest rate margin Loans in respect of the term loan B facility carry interest rates of LIBOR plus 2 75%, in the case of LIBOR borrowings, or at the alternate base rate plus 1 75%, and is subject to a 1% LIBOR floor Loans in respect of the term loan A facility and the revolving credit facility carried an initial interest rate of LIBOR plus 2 25%, in the case of LIBOR borrowings, or at the alternate base rate plus 1 25%, through and including February 19, 2012, and thereafter the interest rate will fluctuate between LIBOR plus 1 75% and LIBOR plus 2 50% (or between the alternate base rate plus 0 75% and the alternate base rate plus 1 50%), based upon Ashland's corporate credit ratings or the consolidated gross leverage ratio (as defined in the credit agreement) (whichever yields a lower applicable interest rate margin) at such time In addition, Ashland will initially be required to pay fees of 0 40% on the daily unused amount of the revolving credit facility through and including February 19, 2012, and thereafter the fee rate will fluctuate between 0 30% and 0 50%, based upon Ashland's corporate credit ratings or the consolidated gross leverage ratio In order to manage the variable interest rate risk associated with term loans A and B, Ashland entered into interest rate swap agreements As of September 30, 2011, the total notional value of interest rate swaps related to term loan A and term loan B equaled $1 5 billion and $650 million, respectively, effectively fixing the interest rates for approximately 75% of the term loan A and term loan B principal in the aggregate See Note G for additional information on the interest rate swap instruments

The term loan A facility and the revolving credit facility may be prepaid at any time without premium If within one year of the closing date, Ashland refinances, or voluntarily prepays loans in respect of, the term loan B facility through the incurrence of other long-term bank debt that has a lower effective yield than the yield on the term loan B facility, then Ashland is required to pay a prepayment premium equal to 1 0% of the aggregate principal amount of the term loan B facility so refinanced or prepaid In addition, Ashland is required to make mandatory prepayments in respect of the Senior Credit Facility with specified percentages of the net cash proceeds of certain asset dispositions, casualty events and debt and equity issuances and with specified percentages of excess cash flow, in each case subject to certain conditions

Former senior credit facility

During March 2011, Ashland terminated its previous term loan A facility due 2014, paying off the outstanding balance of $289 million with funds received from the sale of Distribution As a result of the termination of this facility, Ashland recognized an $11 million charge for the remaining debt issuance costs related to the loan fees paid to originate the loan, which is included in the net interest and other financing expense caption in the Statements of Consolidated Income

On March 31, 2010, as part of a refinancing of its then-existing senior credit facilities, Ashland entered into a credit agreement with a group of lenders The credit agreement provided for an aggregate principal amount of $850 million in senior secured credit facilities, consisting of a $300 million four-year term loan A facility and a $550 million revolving credit facility The proceeds from the borrowings from the term loan A facility were used, together with proceeds from the accounts receivable securitization facility described further within this note, and cash on hand to repay all amounts outstanding under Ashland's previous senior secured facilities and to pay for fees and expenses incurred in connection with the credit facilities and the related transactions As discussed above, the term loan A facility was terminated and repaid in March 2011, and the revolving credit facility was replaced with a new $1 0 billion revolving credit facility as part of the August 23, 2011 current Senior Credit Facility

Senior 9.125% notes

In May 2009, Ashland issued $650 million aggregate principal amount of 9 125% senior unsecured notes due 2017 The notes were issued at 96 577% of the aggregate principal amount to yield 9 75% In connection with the current Senior Credit Facility, these notes are now secured on an equal and ratable basis with indebtedness under the Senior Credit Facility These notes are also guaranteed by the same guarantors under the Senior Credit Facility Ashland may redeem some or all of the notes at any time on or after June 1, 2013 at certain fixed redemption prices The notes will mature on June 1, 2017 and rank equally with other unsecured and unsubordinated senior obligations Ashland used the net proceeds from this issuance, together with available liquidity, to repay the $750 million bridge loan facility entered into as part of the interim credit agreement in connection with the closing of the Hercules acquisition on November 13, 2008 The interim credit agreement for the bridge loan facility provided $750 million of unsecured senior interim loans at a rate of 9% per annum through November 13, 2009, the interim loan maturity date Upon termination of the bridge facility, Ashland expensed the remaining $10 million of debt issuance cost related to the loan fees paid to originate the bridge loan facility, which was included in the net interest and other financing (expense) income caption in the Statements of Consolidated Income for the year ended September 30, 2009

Hercules retained instruments

Upon completion of the Hercules acquisition, Ashland assumed the following Hercules debt facilities 6 60% notes due 2027, 6 50% junior subordinated deferrable interest debentures due 2029, and term loans of Hercules Tianpu at rates ranging from 2 10% to 5 47% through 2011

The 6 5% junior subordinated deferrable interest debentures due 2029 (the 6 5% debentures) had an initial issue price of $741 46 and have a redemption price of $1,000 The 6 5% debentures were initially issued to Hercules Trust II (Trust II), a subsidiary trust established in 1999 Trust II had issued, in an underwritten public offering, 350,000 CRESTS[SM] Units, each consisting of a 6 5% preferred security of Trust II and a warrant (exercisable through 2029) to purchase 23 4192 shares of the Hercules Common Stock for the equivalent of $42 70 per share The preferred securities and the warrants were separable and were initially valued at $741 46 and $258 54, respectively In connection with the Hercules dissolution and liquidation of Trust II in December 2004, Trust II distributed the 6 5% debentures to the holders of the preferred securities and the preferred securities were cancelled The CRESTS[SM] Units now consist of the 6 5% debentures and the warrants, both of which were fair valued in conjunction with the Hercules acquisition Ashland will accrete the difference between the $282 million par value and the $124 million recorded fair value at the time of the acquisition of the 6 5% debentures over the remaining term The effective rate for this instrument was 15 6% as of September 30, 2011 and 2010

Hercules Tianpu is consolidated within Ashland's Consolidated Financial Statements Loans issued by Hercules Tianpu are guaranteed by Ashland for over 50% of the outstanding balances The loans are denominated in Renminbi and U S dollar equivalents

Accounts receivable securitization

On March 31, 2010, Ashland amended and restated its existing accounts receivable securitization facility to increase the maximum available funds under the facility from $200 million to $350 million and to extend the maturity date of the facility to March 29, 2013 As part of the receivables securitization facility, Ashland would sell, on an ongoing basis, substantially all of its qualifying accounts receivable (but not those of its subsidiaries), certain related assets and the right to the collections on those accounts receivable to CVG Capital II, LLC, a wholly-owned "bankruptcy remote" special purpose subsidiary of Ashland (CVG) Under the terms of the Transfer and Administration Agreement, CVG could, from time to time, obtain up to $350 million (in the form of cash or letters of credit for the benefit of Ashland and its other subsidiaries) from third-party investors through the sale of its interest in such receivables, related assets and collections or by financing those receivables, related assets and rights to collection Ashland accounted for its transfers under the facility as secured borrowings, and the receivables sold pursuant to the facility were included in the Consolidated Balance Sheet as accounts receivable Ashland classifies any borrowings under this facility as a short-term debt instrument within the Consolidated Balance Sheets Once sold to CVG, the accounts receivable, related assets and rights to collection described above will be separate and distinct from Ashland's own assets and will not be available to its creditors should Ashland become insolvent Ashland's equity interest in CVG has been pledged to the lenders under Ashland's previous senior secured credit facilities Substantially all of CVG's assets have been pledged to the Agent in support of its obligations under the Transfer and Administration Agreement At September 30, 2010, the outstanding amount of accounts receivable sold by Ashland to CVG was $663 million Ashland had drawn $40 million under the facility as of September 30, 2010 of the approximate $350 million in available funding from qualifying receivables

During 2011, Ashland terminated its accounts receivable securitization facility In conjunction with the termination, Ashland expensed the remaining debt issuance costs associated with the accounts receivable securitization facility, which were less than $1 million

NOTE I – DEBT (continued)

Other debt

At September 30, 2011, Ashland held other debt totaling $137 million comprised of medium-term notes due 2013 – 2019, Hercules Nanjing term notes due 2013 and other short-term international loans Ashland principally uses these other debt instruments to fund its operations in non-U S locations, primarily China

Debt defeasance

During 2006, Ashland entered into an in-substance defeasance of approximately $49 million to repay current and long-term debt that had a carrying value of $44 million on the balance sheet Because the transaction was not a legal defeasance the investment has been placed into a trust and will be exclusively restricted to future obligations and repayments related to these debt instruments The investments have been classified on the balance sheet as other current assets or other noncurrent assets based on the contractual debt repayment schedule At September 30, 2011 and 2010, the carrying value of the investments to defease debt was $17 million The carrying value of the debt was $13 million as of September 30, 2011 and 2010

Net interest and other financing (expense) income

(In millions)	2011	2010	2009
Interest expense	$ (131)	$ (198)	$ (215)
Interest income	16	12	21
Other financing costs	(6)	(11)	(11)
	$ (121)	$ (197)	$ (205)

The following table details the debt issuance cost amortization included in interest expense during 2011, 2010 and 2009

(In millions)	2011 (a)	2010 (b)	2009 (c)
Normal amortization	$ 14	$ 15	$ 34
Accelerated amortization	12	66	18
Total	$ 26	$ 81	$ 52

(a) Accelerated amortization of $12 million resulted from the termination of the term loan A and accounts receivable securitization facilities in March 2011

(b) Accelerated amortization of $66 million resulted from the Senior Credit Facility refinancing in March 2010

(c) Accelerated amortization of $10 million resulted from the extinguishment of the bridge loan facility in May 2009, while accelerated amortization of $8 million resulted from prepayments made on both the term loan A and term loan B facilities

Covenants related to current debt agreements

The current Senior Credit Facility includes similar covenants to the former senior credit facility The covenants contain certain usual and customary representations and warranties, and usual and customary affirmative and negative covenants which include financial covenants for leverage and fixed charge coverage ratios, limitations on liens, additional indebtedness, further negative pledges, investments, payment of dividends, mergers, sale of assets and restricted payments, and other customary limitations As of September 30, 2011, Ashland is in compliance with all debt agreement covenant restrictions

Financial covenants

The maximum consolidated leverage ratios permitted under the current Senior Credit Facility are as follows 4 00 from the closing date through March 31, 2012, 3 75 as of June 30, 2012, 3 50 as of September 30, 2012, 3 00 from the period December 31, 2012 through September 30, 2013 and 2 75 as of December 31, 2013 and each fiscal quarter thereafter

The current Senior Credit Facility defines the consolidated leverage ratio as the ratio of consolidated indebtedness minus cash and cash equivalents to consolidated EBITDA for any measurement period In general, the current Senior Credit Facility defines consolidated EBITDA as net income plus consolidated interest charges, taxes, depreciation and amortization expense, fees and expenses related to capital market transactions, restructuring and integration charges, noncash stock and equity compensation expense, and any other nonrecurring expenses or losses that do not represent a cash item in such period or any future period, less any noncash gains or other items increasing net income In general, consolidated indebtedness includes debt plus all purchase money indebtedness, banker's acceptances and bank guaranties, deferred purchase price of property or services, attributable indebtedness, and guaranties

The permitted consolidated fixed charge coverage ratios under the current Senior Credit Facility are 1 50 from the closing date through June 30, 2012, 1 75 as of September 30, 2012 and 2 00 as of December 31, 2012 and each fiscal quarter thereafter

The current Senior Credit Facility defines the consolidated fixed charge coverage ratio as the ratio of consolidated EBITDA less the aggregate amount of all cash capital expenditures to consolidated fixed charges for any measurement period In general consolidated fixed charges are defined as the sum of consolidated interest charges, the aggregate principal amount of all regularly scheduled principal payments and the aggregate amount of all restricted payments, which include any dividend or other distribution with respect to any capital stock or other equity interest

At September 30, 2011, Ashland's calculation of the consolidated leverage ratio per the refinancing was 2 8 compared to the maximum consolidated leverage ratio permitted under Ashland's senior credit agreement of 4 00 At September 30, 2011, Ashland's calculation of the fixed charge coverage ratio was 4 0 compared to the permitted consolidated ratio of 1 50

Corporate credit ratings

During 2011, Ashland's corporate credit rating was downgraded by Standard & Poor's from BB+ to BB as a result of Ashland's increased debt leverage, while Ashland's corporate credit rating from Moody's Investor Services remained unchanged at Ba1 At September 30, 2011 Standard & Poor's and Moody's Investor Services both rated Ashland's outlook as stable

NOTE J – OTHER NONCURRENT ASSETS AND LIABILITIES

The following table provides the components of other noncurrent assets in the Consolidated Balance Sheets as of September 30

(In millions)	2011	2010
Equity investments	$ 193	$ 76
Deferred compensation investments	185	169
Debt issuance cost	106	47
Tax receivables	68	40
Defined benefit plan assets	41	19
Land use rights	35	31
Environmental insurance receivables	33	30
Note receivables	23	23
Debt defeasance assets	17	17
Auction rate securities	10	22
Other	68	62
	$ 779	$ 536

The following table provides the components of other noncurrent liabilities in the Consolidated Balance Sheets as of September 30

(In millions)	2011	2010
Environmental remediation reserves	$ 204	$ 162
Accrued tax liabilities (including sales and franchise)	181	125
Insurance reserves related to workers compensation and general liability	110	100
Deferred compensation	95	88
Other	101	100
	$ 691	$ 575

NOTE K – LEASES

Ashland and its subsidiaries are lessees of office buildings, retail outlets, transportation equipment, warehouses and storage facilities, and other equipment, facilities and properties under leasing agreements that expire at various dates Capitalized lease obligations are not significant and are included in long-term debt while capital lease assets are included in

NOTE K – LEASES (continued)

property, plant and equipment Future fiscal year minimum rental payments at September 30, 2011 were $52 million in 2012, $41 million in 2013, $28 million in 2014, $22 million in 2015, $19 million in 2016 and $53 million in 2017 and later years Rental expense under operating leases for continuing operations was as follows

(In millions)	2011	2010	2009
Minimum rentals (including rentals under short-term leases)	$ 68	$ 64	$ 64
Contingent rentals	6	6	3
Sublease rental income	(7)	(6)	(6)
	$ 67	$ 64	$ 61

NOTE L – INCOME TAXES

A summary of the provision for income taxes related to continuing operations follows

(In millions)	2011	2010	2009
Current			
Federal	$ (59)	$ (14)	$ (16)
State	4	(2)	1
Foreign	57	48	67
	2	32	52
Deferred	(55)	(45)	(135)
Income tax benefit	$ (53)	$ (13)	$ (83)

Deferred income taxes are provided for income and expense items recognized in different years for tax and financial reporting purposes Ashland has not recorded deferred income taxes on the undistributed earnings of certain foreign subsidiaries and foreign corporate joint ventures As of September 30, 2011, management intends to indefinitely reinvest such earnings, which amounted to $86 million It is not practicable to estimate the amount of U S tax that might be payable if these earnings were ever to be remitted

As a result of the ISP acquisition, Ashland continues to review the foreign legal entity structure and cash requirements both within and outside the U S It is possible that there will be reversals of some deferred income tax liabilities associated with certain foreign subsidiaries outside basis differences if the determination is made that the earnings of such foreign subsidiaries are to be permanently reinvested outside the U S This could result in a favorable adjustment of approximately $60-70 million

Foreign net operating loss carryforwards primarily relate to certain European operations and generally may be carried forward U S state net operating loss carryforwards relate to operational losses within certain states and generally may be carried forward Temporary differences that give rise to significant deferred tax assets and liabilities as of September 30 are presented in the following table

(In millions)	2011	2010
Deferred tax assets		
Foreign net operating loss carryforwards (a)	$ 699	$ 671
Employee benefit obligations	577	497
Environmental, self-insurance and litigation reserves (net of receivables)	230	233
State net operating/capital loss carryforwards (b)	82	96
Compensation accruals	80	91
Credit carryforwards (c)	63	156
Uncollectible accounts receivable	8	10
Federal capital loss carryforwards (d)	1	75
Other items	77	16
Valuation allowances (e)	(718)	(870)
Total deferred tax assets	1,099	975
Deferred tax liabilities		
Goodwill and other intangibles (f)	600	283
Property, plant and equipment	562	272
Investment in unconsolidated affiliates	209	135
Total deferred tax liabilities	1,371	690
Net deferred tax asset/(liability)	$ (272)	$ 285

(a) Gross foreign net operating loss carryforwards will expire in future years as follows $0 million in 2012 $3 million in 2013 and the remaining balance in other future years
(b) Gross state net operating/capital loss carryforwards will expire in future years as follows $54 million in 2012, $27 million in 2013 and the remaining balance in other future years
(c) Consists primarily of foreign tax credits of $33 million expiring over 2017 to 2018, alternative minimum tax credits of $16 million with no expiration and research and development credits of $14 million expiring over 2024 to 2031
(d) Federal capital loss carryforwards will expire primarily in 2014
(e) Valuation allowances primarily relate to the realization of recorded tax benefits on state and foreign net operating loss carryforwards as well as capital losses
(f) The total amount of goodwill as of September 30, 2011 expected to be deductible for tax purposes is $100 million

The U S and foreign components of income from continuing operations before income taxes and a reconciliation of the statutory federal income tax with the provision for income taxes follow The foreign components of income from continuing operations disclosed below exclude any allocations of certain corporate expenses incurred in the U S

(In millions)	2011	2010	2009
Income from continuing operations before income taxes			
United States	$ (230)	$ (55)	$ (453)
Foreign	233	130	130
	$ 3	$ 75	$ (323)
Income taxes computed at U S statutory rate (35%)	$ 1	$ 26	$ (113)
Increase (decrease) in amount computed resulting from			
Gain on divestitures (a)	8	-	(4)
Resolution and reevaluation of tax positions	3	(5)	29
Patient Protection and Affordable Care Act	1	14	-
Deferred tax balance adjustment	-	(9)	-
Non-taxable gain from the acquisition of Ara Quimica	-	(8)	-
Nondeductible (gain) loss on life insurance investments	-	(2)	2
Valuation allowance (release) (b)	(92)	(6)	8
Claim for research and development credits	(9)	(19)	(9)
State taxes	(6)	-	1
Net impact of foreign results (c)	38	(5)	(3)
Other items	3	1	6
Income tax benefit	$ (53)	$ (13)	$ (83)

(a) Tax adjustments associated with the Sud-Chemie joint venture
(b) Primarily state deferred tax asset valuation allowance releases
(c) Includes $60 million unfavorable charge for the repatriation of foreign earnings to the U S

NOTE L – INCOME TAXES (continued)

Income tax expense for 2011 included a tax benefit of $92 million for valuation allowance releases primarily related to state deferred tax assets, and tax expense of $60 million related to the repatriation of foreign earnings to the U S In addition, 2011 income tax expense included a benefit of $9 million for research and development credits, of which $4 million related to credits signed into law on a retroactive basis, and tax expense of $8 million associated with unfavorable tax adjustments related to the Sud-Chemie joint venture

Income tax expense for 2010 included a benefit of $17 million for the identification of additional U S research and development tax credits within the acquired Hercules businesses, a $5 million benefit from foreign results, and a benefit of $9 million related to a deferred tax balance adjustment In addition, income tax expense for 2010 included a benefit of $8 million attributable to a non-taxable book gain which was recorded as a result of the Ara Quimica acquisition

The $9 million deferred tax balance adjustment noted above was recorded in 2010 to correct previous assumptions in deferred tax balances related to contingent liabilities for which Marathon is entitled to the deduction pursuant to the previously referred to TMA Ashland assessed the effect of these adjustments on income from continuing operations in the current and prior periods and, after considering quantitative and qualitative factors, determined the adjustment to be below the threshold that would necessitate the representation of consolidated financial statements for the prior years Ashland also considered the impact on its internal controls and financial reporting and based on quantitative and qualitative factors concluded that the matter did not indicate a material weakness in its internal controls over financial reporting

Income tax expense for 2009 included an $8 million valuation allowance on auction rate securities losses and increases in the resolution and re-evaluation of tax positions taken in prior years of $29 million These discrete expense items were partially offset by research and development credits of $9 million

Patient Protection and Affordable Care Act

During 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law The PPACA contains a provision that changes the tax treatment related to a federal subsidy available to Ashland under its postretirement plans The subsidy is known as the Retiree Drug Subsidy (RDS) Ashland is not currently taxed on the RDS payments received However, as a result of the PPACA, RDS payments will effectively become taxable to Ashland on October 1, 2013, by requiring the amount of the subsidy received to be offset against Ashland's deduction for health care expenses The change in tax treatment does not affect the taxation of the subsidy itself, but would reduce Ashland's deduction for the costs of health care for retirees by the amount of the subsidy received As a result, the deductible temporary difference and any related deferred tax asset on Ashland's Consolidated Balance Sheet associated with the benefit plan will be reduced In accordance with U S GAAP, which states that the impact of the change in tax law should be immediately recognized in the period that includes the enactment date regardless of the effective date of the change in tax law, Ashland recorded a $19 million charge within the Statement of Consolidated Income during 2010, comprised of a $14 million income tax charge and a $5 million net loss on divestitures related to postretirement plans of the businesses divested as part of the MAP Transaction

Unrecognized tax benefits

U S GAAP prescribes a recognition threshold and measurement attribute for the accounting and financial statement disclosure of tax positions taken or expected to be taken in a tax return The evaluation of a tax position is a two-step process The first step requires Ashland to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position The second step requires Ashland to recognize in the financial statements each tax position that meets the more likely than not criteria, measured at the amount of benefit that has a greater than 50% likelihood of being realized Ashland had $160 million and $116 million of unrecognized tax benefits, of which $31 million and $28 million relate to discontinued operations, at September 30, 2011 and 2010 respectively As of September 30, 2011, the total amount of unrecognized tax benefits that, if recognized, would affect the tax rate for continuing and discontinued operations was $122 million The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility Recognition of these tax benefits would not have an impact on the effective tax rate Ashland includes the full amount of unrecognized tax benefits in other noncurrent liabilities in the Consolidated Balance Sheets

Ashland recognizes interest and penalties related to uncertain tax positions as a component of income tax expense in the Statements of Consolidated Income and such interest and penalties totaled $2 million in 2011 There were no such interest and penalties during 2010 Ashland had $36 million and $33 million in interest and penalties related to unrecognized tax benefits accrued as of September 30, 2011 and 2010, respectively

During the year ended September 30, 2011 and 2010, respectively, changes in unrecognized tax benefits were as follows

(In millions)	
Balance at September 30, 2009	$ 125
Increases related to positions taken on items from prior years	14
Decreases related to positions taken on items from prior years	(21)
Increases related to positions taken in the current year	18
Lapse of statute of limitations	(10)
Settlement of uncertain tax positions with tax authorities	(10)
Balance at September 30, 2010	116
Increases related to positions taken on items from prior years	35
Decreases related to positions taken on items from prior years	(15)
Increases related to assumed ISP positions in the current year	9
Increases related to positions taken in the current year	26
Lapse of statute of limitations	(7)
Settlement of uncertain tax positions with tax authorities	(4)
Balance at September 30, 2011	$ 160

It is reasonably possible that the amount of unrecognized tax benefits may increase or decrease within the next twelve months as the result of settlement of ongoing audits, which may have a material affect on the Consolidated Financial Statements

Ashland or one of its subsidiaries files income tax returns in the U S federal jurisdiction and various state and foreign jurisdictions Foreign taxing jurisdictions significant to Ashland include Australia, Canada, Switzerland and the Netherlands Ashland is subject to U S federal and state income tax examinations by tax authorities for periods after July 1, 2005 With respect to countries outside of the United States, with certain exceptions, Ashland's foreign subsidiaries are subject to income tax audits for years after 2002

NOTE M – EMPLOYEE BENEFIT PLANS

Pension plans

Ashland and its subsidiaries sponsor contributory and noncontributory qualified defined benefit pension plans that cover certain employees in the United States and in a number of other countries In addition, Ashland has non-qualified unfunded pension plans which provide supplemental defined benefits to those employees whose benefits under the qualified pension plans are limited by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code Ashland funds the costs of the non-qualified plans as the benefits are paid Pension obligations for applicable employees of non-U S consolidated subsidiaries are provided for by depositing funds with trustees or by book reserves in accordance with local practices and regulations of the respective countries

In August 2011, in conjunction with the purchase of ISP, Ashland assumed $25 million of net liabilities associated with qualified and non-qualified defined benefit pension plans, which had a projected benefit obligation of $57 million

In November 2008, in conjunction with the purchase of Hercules, Ashland assumed $207 million of net liabilities associated with qualified and non-qualified defined benefit pension plans, which had a projected benefit obligation of $1,521 million Effective September 30, 2009, Ashland's U S qualified plan was merged into the Hercules U S qualified plan and renamed the Ashland Hercules Pension Plan The plan assumed all assets and liabilities of the former Ashland Plan, however, the benefits of the applicable employees under the Ashland Plan and Hercules Plan remained unchanged from those in place prior to the merger of the plans until January 1, 2011

Benefits under the assumed Hercules U S pension plans generally are based on employees' years of service and compensation during the years immediately preceding their retirement On January 1, 2005, the plan was closed for new participants In September 2010, Ashland amended the plan, effective January 1, 2011, for qualified earnings, which will be modified to include annual base pay plus previous year incentive pay In addition, the early retirement discount age to receive a 100% pension increased from age 60 to age 62 and other discount factors beginning at age 55 also increased

Benefits for those eligible for Ashland's legacy U S pension plans generally are based on employees' years of service and compensation during the years immediately preceding their retirement The participants in these plans are employees with at least ten years of service as of July 1, 2003 In September 2010, Ashland amended its legacy U S pension plans, effective January 1, 2011, to increase the final pension average annual pay calculation from three years to four years through 2015 and five years thereafter, with 2011 and 2015 serving as transition years

NOTE M – EMPLOYEE BENEFIT PLANS (continued)

On July 1, 2003, all new employees and the pension benefits of employees under the legacy U S pension plan with less than ten years of service were converted to cash balance accounts Employees with existing pension credits received an initial account balance equal to the present value of their accrued benefits in Ashland's legacy U S pension plan on that date Effective January 1, 2011, all cash balance accounts were vested and frozen, with the plan closed to new participants Employees with accrued balances in their accounts at December 31, 2010 will not receive additional accruals, but they will continue to receive interest on their accounts

Other postretirement benefit plans

Ashland and its subsidiaries sponsor health care and life insurance plans for eligible employees in the U S and Canada who retire or are disabled Ashland's retiree life insurance plans are noncontributory, while Ashland shares the costs of providing health care coverage with its retired employees through premiums, deductibles and coinsurance provisions Ashland funds its share of the costs of the postretirement benefit plans as the benefits are paid Employees hired after June 30, 2003 will have access to any retiree health care coverage that may be provided, but will have no Ashland company funds available to help pay for such coverage In May 2010, Ashland implemented changes, effective January 1, 2011, eliminating post-65 benefit coverage for those eligible participants retiring on or after January 1, 2016 In September 2011, Ashland adopted a plan amendment to change the current post-65 Ashland Medical plan to Medicare Advantage plan As a result, the employer cost cap was reset and reduced Ashland's accrued obligations under the plan by $57 million This change is effective January 1, 2012, at which time Ashland will no longer apply for the Medicare Part D subsidy The reductions are being amortized to income over future periods

Since January 1, 2004, Ashland's plans have limited their annual per capita costs to an amount equivalent to base year per capita costs, plus annual increases of up to 1 5% per year for costs incurred As a result, health care cost trend rates have no significant effect on the amounts reported for the health care plans Premiums for retiree health care coverage are equivalent to the excess of the estimated per capita costs over the amounts borne by Ashland

In August 2011, in conjunction with the purchase of ISP, Ashland assumed $11 million of liabilities associated with postretirement plans

In November 2008, in conjunction with the purchase of Hercules, Ashland assumed $109 million of liabilities associated with postretirement plans The assumed postretirement health care plans include a limit on Ashland's share of costs for recent and future retirees The assumed pre-65 health care cost trend rate as of September 30, 2011 was an initial rate of 7 60% in 2011 reducing to 4 50% in 2028 and thereafter The assumptions used to project the liability anticipate future cost-sharing changes to the written plans that are consistent with the increase in health care cost U S employees from Hercules hired after December 31, 2002 will have access to any retiree health care coverage that may be provided, but will have no Ashland company funds available to help pay for such coverage

Change in accounting policy

As discussed in Notes A and Q, Ashland elected during 2011 to change its method of recognizing actuarial gains and losses for its defined benefit pension and postretirement benefit plans This accounting change was applied retrospectively, adjusting all prior periods presented

Components of net periodic benefit costs

The following table summarizes the components of pension and other postretirement benefit costs for both continued and discontinued operations and the assumptions used to determine net periodic benefit costs for the plans

(In millions)	Pension benefits 2011	2010	2009	Other postretirement benefits 2011	2010	2009
Net periodic benefit costs						
Service cost	$ 39	$ 49	$ 38	$ 3	$ 5	$ 5
Interest cost	201	205	204	16	19	20
Curtailment (a)	(20)	(24)	-	(24)	(4)	-
Expected return on plan assets	(226)	(216)	(180)	-	-	-
Amortization of prior service credit (b)	(2)	-	-	(10)	(3)	(3)
Actuarial (gain) loss	275	316	455	8	48	57
	$ 267	$ 330	$ 517	$ (7)	$ 65	$ 79
Weighted-average plan assumptions (c)						
Discount rate	5 01%	5 82%	7 81%	4 68%	5 50%	7 78%
Rate of compensation increase	3 66%	3 67%	3 73%	-	-	-
Expected long-term rate of return on plan assets	7 68%	7 90%	7 97%	-	-	-

(a) The Distribution divestiture during 2011 resulted in a curtailment gain of $44 million, which was recognized as part of the $271 million gain on sale of Distribution, recorded within the discontinued operations caption of the Statements of Consolidated Income

(b) During 2010, Ashland's changes to the final pension average pay calculation and freezing the cash balance plan resulted in a curtailment gain that is being amortized within this caption

(c) The plan assumptions discussed are a blended weighted-average rate for Ashland's U S and non-U S plans The U S pension plan represented approximately 84% of the projected benefit obligation at September 30, 2011 Other postretirement benefit plans consist of U S and Canada, with the U S plan representing approximately 94% of the accumulated postretirement benefit obligation at September 30, 2011 Non-U S plans use assumptions generally consistent with those of U S plans

The following table shows other changes in prior service credit recognized in accumulated other comprehensive income

(In millions)	Pension 2011	2010	Postretirement 2011	2010
Prior service credit	$ (1)	$ (16)	$ (61)	$ (14)
Amortization of prior service credit	2	-	10	3
Total	$ 1	$ (16)	$ (51)	$ (11)
Total recognized in net periodic benefit cost and accumulated other comprehensive income	$ 268	$ 314	$ (58)	$ 54

The following table shows the amount of prior service credit in accumulated other comprehensive income at September 30, 2011 that is expected to be recognized as a component of net periodic benefit cost (income) during the next fiscal year

(In millions)	Pension benefits	Other postretirement benefits
Prior service credit	$ (2)	$ (14)

At September 30, 2011 and 2010, the amounts recognized in accumulated other comprehensive income are shown in the following table

(In millions)	Pension 2011	2010	Postretirement 2011	2010
Prior service credit	$ (10)	$ (11)	$ (81)	$ (30)

Obligations and funded status

Actuarial valuations are performed for the pension and other postretirement benefit plans to determine Ashland's obligation for each plan In accordance with U S GAAP, Ashland recognizes the unfunded status of the plans as a liability in the Consolidated Balance Sheets Summaries of the change in benefit obligations, plan assets, funded status of the plans, amounts recognized in the balance sheet, and assumptions used to determine the benefit obligations for 2011 and 2010 follow

NOTE M – EMPLOYEE BENEFIT PLANS (continued)

(In millions)	Pension plans 2011	Pension plans 2010	Other postretirement benefit plans 2011	Other postretirement benefit plans 2010
Change in benefit obligations				
Benefit obligations at October 1	$ 4,011	$ 3,593	$ 367	$ 344
Assumed obligations from ISP	57	-	11	-
Service cost	39	49	3	5
Interest cost	201	205	16	19
Participant contributions	2	2	18	18
Benefits paid	(223)	(220)	(44)	(49)
Medicare Part D Act	-	-	2	3
Actuarial loss	168	438	10	44
Curtailment gain	(21)	(25)	(24)	-
Plan amendment	1	(18)	(57)	(17)
Foreign currency exchange rate changes	(4)	(15)	-	1
Other	11	2	-	(1)
Benefit obligations at September 30	$ 4,242	$ 4,011	$ 302	$ 367
Change in plan assets				
Value of plan assets at October 1	$ 3,025	$ 2,745	$ -	$ -
Assumed plan assets from ISP	32	-	-	-
Actual return on plan assets	121	348	-	-
Employer contributions	50	162	26	31
Participant contributions	2	2	18	18
Benefits paid	(223)	(220)	(44)	(49)
Foreign currency exchange rate changes	(3)	(14)	-	-
Other	8	7	-	-
Value of plan assets at September 30	$ 3,012	$ 3,030	$ -	$ -
Unfunded status of the plans	$ (1,230)	$ (981)	$ (302)	$ (367)
Amounts recognized in the balance sheet				
Noncurrent benefit assets	$ 41	$ 19	$ -	$ -
Current benefit liabilities	(10)	(11)	(23)	(27)
Noncurrent benefit liabilities	(1,261)	(989)	(279)	(340)
Net amount recognized	$ (1,230)	$ (981)	$ (302)	$ (367)
Weighted-average plan assumptions				
Discount rate	4 76%	5 01%	4 39%	4 68%
Rate of compensation increase	3 69%	3 66%	-	-

The accumulated benefit obligation for all pension plans was $4,100 million at September 30, 2011 and $3,851 million at September 30, 2010 Information for pension plans with an accumulated benefit obligation in excess of plan assets follows

(In millions)	2011 Qualified plans (a)	2011 Non-qualified plans	2011 Total	2010 Qualified plans (a)	2010 Non-qualified plans	2010 Total
Projected benefit obligation	$ 3,628	$ 162	$ 3,790	$ 3,354	$ 143	$ 3,497
Accumulated benefit obligation	3,542	153	3,695	3,249	136	3,385
Fair value of plan assets	2,525	-	2,525	2,507	-	2,507

(a) Includes qualified U S and non-U S pension plans

Plan assets

The expected long-term rate of return on U S pension plan assets was 8 25% for 2011 and 2010 The basis for determining the expected long-term rate of return is a combination of future return assumptions for various asset classes in Ashland's investment portfolio, historical analysis of previous returns, market indices and a projection of inflation

The following table summarizes the various investment categories that the pension plan assets are invested in and the applicable fair value hierarchy that the financial instruments are classified within these investment categories as of September 30, 2011 For additional information and a detailed description of each level within the fair value hierarchy, see Note G

(In millions)	Total fair value	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	$ 134	$ 134	$ -	$ -
U S government securities	160	104	56	-
Other government securities	210	32	178	-
Corporate debt instruments	1,087	622	465	-
Corporate stocks	177	3	174	-
Private equity and hedge funds	1,067	-	-	1,067
Common/collective trusts	128	4	124	-
Other investments	49	-	1	48
Total assets at fair value	$ 3,012	$ 899	$ 998	$ 1,115

The following table summarizes the various investment categories that the pension plan assets are invested in and the applicable fair value hierarchy that the financial instruments are classified within these investment categories as of September 30, 2010

(In millions)	Total fair value	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	$ 111	$ 111	$ -	$ -
U S government securities	252	106	146	-
Corporate debt instruments	1,100	236	864	-
Corporate stocks	163	75	88	-
Insurance contracts	69	-	69	-
Private equity and hedge funds	1,121	-	-	1,121
Common/collective trusts	163	-	163	-
Other investments	51	-	-	51
Total assets at fair value	$ 3,030	$ 528	$ 1,330	$ 1,172

Ashland's pension plans hold Level 3 investments primarily within hedge funds and private equity funds The fair value of Ashland's ownership interest in these investments is based on the current market value of underlying investments, which are generally traded in active markets The following table provides a reconciliation of the beginning and ending balances for these Level 3 assets

NOTE M – EMPLOYEE BENEFIT PLANS (continued)

(In millions)	Total Level 3 assets	Private equity and hedge funds	Other investments
Balance as of October 1, 2009	$ 676	$ 627	$ 49
Realized gains	13	11	2
Change in unrealized gains (losses)	64	64	-
Purchases and sales, net	419	419	-
Balance as of October 1, 2010	1,172	1,121	51
Acquisitions	27	27	-
Realized gains	11	11	-
Change in unrealized gains (losses)	3	6	(3)
Purchases and sales, net	(98)	(98)	-
Balance as of September 30, 2011	$ 1,115	$ 1,067	$ 48

In developing an investment strategy for its defined benefit plans, Ashland has considered the following factors the nature of the plans' liabilities, the allocation of liabilities between active, deferred, and retired members, the funded status of the plans, the applicable investment horizon, the respective size of the plans, and historical and expected capital market returns Ashland's U S pension plan assets are managed by outside investment managers, which are monitored against investment return benchmarks and Ashland's established investment strategy Investment managers are selected based on an analysis of, among other things, their investment process, historical investment results, frequency of management turnover, cost structure and assets under management Assets are periodically reallocated between investment managers to maintain an appropriate asset mix, diversification of investments and to optimize returns

The current target asset allocation for the U S plan is 40% fixed income and 60% risk assets Fixed income securities primarily include long duration high grade corporate debt obligations Risk assets include both traditional equity as well as a mix of non-traditional assets such as hedge funds and private equity Investment managers may employ a limited use of derivatives to gain efficient exposure to markets

Ashland's investment strategy and management practices relative to plan assets of non-U S plans generally are consistent with those for U S plans, except in those countries where investment of plan assets is dictated by applicable regulations The weighted-average asset allocations for Ashland's U S and non-U S plans at September 30, 2011 and 2010 by asset category follow

		Actual at September 30	
(In millions)	Target	2011	2010
Plan assets allocation			
Equity securities	40 - 80%	47%	47%
Debt securities	20 - 45%	48%	44%
Other	0 - 20%	5%	9%
		100%	100%

Cash flows

During fiscal 2011, Ashland contributed cash of $31 million to its non-U S pension plans and $19 million to its U S pension plans In fiscal 2012, Ashland expects to contribute $25 million to its non-U S pension plans and approximately $95 million to its U S pension plans The Pension Protection Act of 2006, enacted in August 2006, introduced new minimum funding requirements that became effective for Ashland during fiscal 2009 As a result, Ashland's required contributions to its non-U S and U S pension plans may vary in the future

The following benefit payments, which reflect future service expectations, are projected to be paid in each of the next five years and in aggregate for five years thereafter

(In millions)	Pension benefits	Other postretirement benefits
2012	$ 217	$ 26
2013	224	26
2014	228	25
2015	235	25
2016	243	25
2017 - 2021	1,332	113

Other plans

Ashland sponsors qualified savings plans to assist eligible employees in providing for retirement or other future needs Under such plans, company contributions amounted to $22 million in 2011, $22 million in 2010 and $19 million in 2009 Ashland also sponsors various other benefit plans, some of which are required by different countries The assumed liability of these plans in 2011 from the ISP acquisition totaled $4 million The total noncurrent liabilities associated with these plans were $21 million and $18 million as of September 30, 2011 and 2010, respectively

NOTE N – LITIGATION, CLAIMS AND CONTINGENCIES

Asbestos litigation

Ashland and Hercules, a wholly-owned subsidiary of Ashland, have liabilities from claims alleging personal injury caused by exposure to asbestos To assist in developing and annually updating independent reserve estimates for future asbestos claims and related costs given various assumptions, Ashland retained Hamilton, Rabinovitz & Associates, Inc (HR&A) The methodology used by HR&A to project future asbestos costs is based largely on recent experience, including claim-filing and settlement rates, disease mix, enacted legislation, open claims, and litigation defense The claim experience of Ashland and Hercules are separately compared to the results of previously conducted third party epidemiological studies estimating the number of people likely to develop asbestos-related diseases Those studies were undertaken in connection with national analyses of the population expected to have been exposed to asbestos Using that information, HR&A estimates a range of the number of future claims that may be filed, as well as the related costs that may be incurred in resolving those claims

Ashland asbestos-related litigation

The claims alleging personal injury caused by exposure to asbestos asserted against Ashland result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley, a former subsidiary The amount and timing of settlements and number of open claims can fluctuate significantly from period to period A summary of Ashland asbestos claims activity, excluding Hercules claims, follows

(In thousands)	2011	2010	2009
Open claims - beginning of year	83	100	115
New claims filed	2	2	2
Claims settled	(1)	(1)	(1)
Claims dismissed	(12)	(18)	(16)
Open claims - end of year	72	83	100

Ashland asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs, which generally approximates the mid-point of the estimated range of exposure from model results Ashland reviews this estimate and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 50-year model developed with the assistance of HR&A

During the most recent update, completed during 2011, it was determined that the liability for Ashland asbestos claims should be increased by $41 million Total reserves for asbestos claims were $543 million at September 30, 2011 compared to $537 million at September 30, 2010

NOTE N – LITIGATION, CLAIMS AND CONTINGENCIES (continued)

A progression of activity in the asbestos reserve is presented in the following table

(In millions)	2011	2010	2009
Asbestos reserve - beginning of year	$ 537	$ 543	$ 572
Reserve adjustment	41	28	5
Amounts paid	(35)	(34)	(34)
Asbestos reserve - end of year	$ 543	$ 537	$ 543

Ashland asbestos-related receivables

Excluding the Hercules asbestos claims further described below, Ashland has insurance coverage for most of the litigation defense and claim settlement costs incurred in connection with its asbestos claims, and coverage-in-place agreements exist with the insurance companies that provide most of the coverage currently being accessed As a result, increases in the asbestos reserve have been largely offset by probable insurance recoveries The amounts not recoverable generally are due from insurers that are insolvent, rather than as a result of uninsured claims or the exhaustion of Ashland's insurance coverage

For the Ashland asbestos-related obligations, Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent Approximately 71% of the estimated receivables from insurance companies are expected to be due from domestic insurers, of which approximately 85% have a credit rating of B+ or higher by A M Best, as of September 30, 2011 The remainder of the insurance receivable is due from London insurance companies, which generally have lower credit quality ratings, and from Underwriters at Lloyd's, whose insurance policy obligations have been transferred to a subsidiary of Berkshire Hathaway Ashland discounts this portion of the receivable based upon the projected timing of the receipt of cash from those insurers unless likely settlement amounts can be determined

During fiscal 2010, Ashland entered into a new agreement with a number of London market insurance companies with respect to coverage for asbestos-related insurance claims As a result, a $12 million increase to the Ashland asbestos receivable was recorded within the Consolidated Balance Sheet, which had a $9 million (after-tax) effect on the Statement of Consolidated Income within the discontinued operations caption In addition, Ashland had agreed to arbitrate a dispute regarding whether there is a significant deductible in the London market companies' policies in three policy periods that must be satisfied before the policies begin providing coverage for Riley Stoker asbestos claims The London market companies had contended that Ashland must bear certain self-insured retentions in respect of Riley Stoker asbestos liabilities before the London coverage attaches in these three years, and Ashland disputed that such self-insured retentions must be satisfied The parties conducted an arbitration hearing on this dispute in June 2011, and a decision was rendered by the arbitrator in October 2011 that essentially supported Ashland's previously stated position on these claims

At September 30, 2011, Ashland's receivable for recoveries of litigation defense and claim settlement costs from insurers amounted to $431 million (excluding the Hercules receivable for asbestos claims), of which $56 million relates to costs previously paid Receivables from insurers amounted to $421 million at September 30, 2010 During 2011, the model used for purposes of valuing the asbestos reserve described above, and its impact on valuation of future recoveries from insurers, was updated This model update along with potential settlement adjustments resulted in an additional $42 million net increase in the receivable for probable insurance recoveries

A progression of activity in the Ashland insurance receivable (excluding Hercules) is presented in the following table

(In millions)	2011	2010	2009
Insurance receivable - beginning of year	$ 421	$ 422	$ 458
Receivable adjustment	42	36	8
Amounts collected	(32)	(37)	(44)
Insurance receivable - end of year	$ 431	$ 421	$ 422

Hercules asbestos-related litigation

Hercules, a wholly-owned subsidiary of Ashland, has liabilities from claims alleging personal injury caused by exposure to asbestos Such claims typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products which were sold by one of Hercules' former subsidiaries to a limited industrial market The amount and timing of settlements and number of open claims can fluctuate significantly from period to period A summary of Hercules' asbestos claims activity follows

(In thousands)	2011	2010	2009 (a)
Open claims - beginning of year	20	21	27
New claims filed	2	-	1
Claims dismissed	(1)	(1)	(7)
Open claims - end of year	21	20	21

(a) Beginning of year represents acquisition date of November 13 2008

Hercules asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs, which generally approximates the mid-point of the estimated range of exposure from model results Ashland reviews this estimate and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 50-year model developed with the assistance of HR&A During the most recent annual update of this estimate, completed during 2011, it was determined that the liability for Hercules asbestos related claims should be decreased by $48 million Total reserves for asbestos claims were $311 million at September 30, 2011 compared to $375 million at September 30, 2010

During December 2009, Ashland essentially completed the final valuation assessment of the Hercules asbestos claims liability existing as of the acquisition date and underlying claim files as part of transitioning to a standardized claims management approach This assessment resulted in a $35 million and $22 million reduction to the asbestos liability and receivable, respectively, which was accounted for as an adjustment to Hercules' opening balance sheet since the adjustment related to claims that had been incurred as of the acquisition date During the prior year annual update, completed during 2010, it was determined that the liability for asbestos claims should be reduced by $58 million Based upon review of the assumptions underlying the prior year asbestos valuation model and the most recent claim filing and settlement trend rates for both pre- and post-acquisition periods at that time, Ashland determined that $14 million of the $58 million adjustment should be recorded to goodwill, which was partially offset by $6 million for an increase in probable insurance recoveries, totalling to a net $8 million adjustment to goodwill

A progression of activity in the asbestos reserve is presented in the following table

(In millions)	2011	2010	2009 (a)
Asbestos reserve - beginning of year	$ 375	$ 484	$ 233
Reserve adjustments (b)	(48)	(93)	261
Amounts paid	(16)	(16)	(10)
Asbestos reserve - end of year	$ 311	$ 375	$ 484

(a) Beginning of year represents acquisition date of November 13, 2008
(b) Includes purchase accounting adjustments recorded during 2010 and 2009 as part of purchase price allocations for the Hercules acquisition

Hercules asbestos-related receivables

For the Hercules asbestos-related obligations, certain coverage-in-place agreements with insurance carriers exist As a result, increases in the asbestos reserve are partially offset by probable insurance recoveries Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent As of September 30, 2011, this estimated receivable consists exclusively of domestic insurers, of which approximately 96% have a credit rating of B+ or higher by A M Best

As of September 30, 2011 and September 30, 2010, the receivables from insurers amounted to $48 million and $68 million, respectively During 2011, the model used for purposes of valuing the asbestos reserve and its impact on valuation of future recoveries from insurers was updated This model update along with likely settlement adjustments caused a $20 million reduction in the receivable for probable insurance recoveries

A progression of activity in the Hercules insurance receivable is presented in the following table

(In millions)	2011	2010	2009 (a)
Insurance receivable - beginning of year	$ 68	$ 118	$ 35
Receivable adjustment	(20)	(50)	83
Insurance receivable - end of year	$ 48	$ 68	$ 118

(a) Beginning of year represents acquisition date of November 13 2008

NOTE N – LITIGATION, CLAIMS AND CONTINGENCIES (continued)

Asbestos litigation cost projection

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens In light of these inherent uncertainties, Ashland believes that the asbestos reserves for Ashland and Hercules represent the best estimate within a range of possible outcomes As a part of the process to develop these estimates of future asbestos costs, a range of long-term cost models was developed These models are based on national studies that predict the number of people likely to develop asbestos-related diseases and are heavily influenced by assumptions regarding long-term inflation rates for indemnity payments and legal defense costs, as well as other variables mentioned previously Ashland has currently estimated in various approximate 50-year models that it is reasonably possible that total future litigation defense and claim settlement costs on an inflated and undiscounted basis could range as high as approximately $900 million for the Ashland asbestos-related litigation and approximately $500 million for the Hercules asbestos-related litigation (or approximately $1 4 billion in the aggregate), depending on the combination of assumptions selected in the various models If actual experience is worse than projected relative to the number of claims filed, the severity of alleged disease associated with those claims or costs incurred to resolve those claims, Ashland may need to increase further the estimates of the costs associated with asbestos claims and these increases could potentially be material over time

Environmental remediation and asset retirement obligations

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations At September 30, 2011, such locations included 95 waste treatment or disposal sites where Ashland has been identified as a potentially responsible party under Superfund or similar state laws, 157 current and former operating facilities (including certain operating facilities conveyed to MAP) and about 1,225 service station properties, of which 101 are being actively remediated

Ashland's reserves for environmental remediation amounted to $246 million at September 30, 2011 compared to $207 million at September 30, 2010, of which $204 million at September 30, 2011 and $162 million at September 30, 2010 were classified in other noncurrent liabilities on the Consolidated Balance Sheets As a result of the ISP acquisition on August 23, 2011, Ashland assumed certain environmental and asset retirement obligation contingencies The total obligations assumed by Ashland were $39 million, which includes an increase of $12 million for different remediation approaches than prior ISP assumptions

The following table provides a reconciliation of the changes in the environmental remediation reserves during 2011

(In millions)	2011	2010
Environmental remediation reserve - beginning of year	$ 207	$ 221
Inherited ISP obligations	39	-
Inherited Hercules obligations	-	7
Disbursements, net of cost recoveries	(45)	(47)
Revised obligation estimates and accretion	46	28
Foreign currency translation	(1)	(2)
Environmental remediation reserve - end of year	$ 246	$ 207

The total reserves for environmental remediation reflect Ashland's estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries Engineering studies, probability techniques, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation Ashland continues to discount certain environmental sites and regularly adjusts its reserves as environmental remediation continues Ashland has estimated the value of its probable insurance recoveries associated with its environmental reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage At September 30, 2011 and 2010, Ashland's recorded receivable for these probable insurance recoveries was $33 million and $30 million, respectively

Components of environmental remediation expense included within the selling, general and administrative expense caption of the Statements of Consolidated Income are presented in the following table for the years ended September 30, 2011, 2010 and 2009

(In millions)	2011	2010	2009
Environmental expense	$ 42	$ 22	$ 7
Accretion	4	6	6
Legal expense	3	2	2
Total expense	49	30	15
Insurance receivable	(13)	(8)	(2)
Total expense, net of receivable activity (a)	$ 36	$ 22	$ 13

(a) Net expense of $6 million, $11 million and $6 million for the fiscal years ended September 30, 2011, 2010 and 2009, respectively, relates to divested businesses which qualified for treatment as discontinued operations and for which the environmental liabilities were retained by Ashland These amounts are classified within the income from discontinued operations caption of the Statements of Consolidated Income

Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the costs Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites Although it is not possible to predict with certainty the ultimate costs of environmental remediation, Ashland currently estimates that the upper end of the reasonably possible range of future costs for identified sites could be as high as approximately $390 million No individual remediation location is material, as the largest reserve for any site is less than 10% of the remediation reserve

Other legal proceedings and claims

Consumer Markets has established an engine guarantee associated with its Valvoline™ product line Consumers register their vehicles to qualify for the guarantee Ashland insures this program with a third party and therefore carries no reserve for this guarantee program

In addition to the matters described above, there are other various claims, lawsuits and administrative proceedings pending or threatened against Ashland and its current and former subsidiaries Such actions are with respect to commercial matters, product liability, toxic tort liability, and other environmental matters, which seek remedies or damages, some of which are for substantial amounts While these actions are being contested, their outcome is not predictable For more information on these claims, see the Legal Proceedings section of Form 10-K (Part I, Item 3)

NOTE O – CAPITAL STOCK

In March 2011, the Board of Directors of Ashland approved a $400 million stock repurchase program Under the program that began on April 1, 2011, Ashland purchased common shares through a $200 million 10b5-1 automatic trading plan Effective May 31, 2011, as a result of the announcement of the pending ISP acquisition, Ashland terminated the 10b5-1 automatic trading program Purchases under the plan amounted to $71 million, or 1 2 million shares Ashland still has the ability to make discretionary purchases of Ashland Common Stock on the open market, pursuant to the Board's original $400 million share repurchase authorization Ashland did not repurchase any shares during 2010 and 2009 At September 30, 2011, 9 6 million common shares are reserved for issuance under stock incentive and deferred compensation plans

In May 2011, the Board of Directors of Ashland announced a quarterly cash dividend increase to 17 5 cents per share, 70 cents per share on an annual basis, to eligible shareholders of record This amount was paid for quarterly dividends in June and September 2011, and was an increase from the quarterly cash dividend of 15 cents per share paid during the first and second quarters of fiscal 2011 During the prior year, a quarterly cash dividend of 7 5 cents per share was paid for the first and second quarters, while 15 cents per share was paid for the third and fourth quarters

In November 2009, Ashland made a voluntary pension plan contribution of approximately 3 0 million shares of Ashland Common Stock, valued at $100 million on the date of transfer

On November 13, 2008, Ashland completed its acquisition of Hercules in a transaction valued at approximately $3 4 billion As part of the consideration to acquire the 112 7 million shares of outstanding Hercules Common Stock on that date, Ashland issued 10 5 million shares of Ashland Common Stock valued, as of the announcement date, at $450 million See Note B for more information on the Hercules acquisition

NOTE P – STOCK INCENTIVE PLANS

Ashland has stock incentive plans under which key employees or directors are granted SARs, performance share awards or nonvested stock awards Each program is typically a long-term incentive plan designed to link employee compensation with increased shareholder value over time or reward superior performance and encourage continued employment with Ashland Ashland recognizes compensation expense for the grant date fair value of stock-based awards over the applicable vesting period The components of Ashland's pretax stock-based awards (net of forfeitures), which is included in the selling, general and administrative expense caption of the Statements of Consolidated Income, and associated income tax benefits are as follows

(In millions)	2011	2010	2009
SARs	$ 10	$ 6	$ 4
Nonvested stock awards	4	4	3
Performance share awards	2	4	2
	$ 16	$ 14	$ 9
Income tax benefit	$ 6	$ 5	$ 3

Stock Appreciation Rights (SARs)

SARs are granted to employees or directors at a price equal to the fair market value of the stock on the date of grant and typically become exercisable over periods of one to three years Unexercised SARs lapse ten years and one month after the date of grant Ashland estimates the fair value of SARs granted using the Black-Scholes option-pricing model This model requires several assumptions, which Ashland has developed and updates based on historical trends and current market observations The accuracy of these assumptions is critical to the estimate of fair value for these equity instruments The following table illustrates the weighted-average of key assumptions used within the Black-Scholes option-pricing model The risk free interest rate assumption was based on the U S Treasury yield curve in effect at the time of the grant for the expected term of the instrument The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases The volatility assumption was calculated by utilizing an unbiased standard deviation of Ashland's common stock closing price for the past five years The expected life is based on historical data and is not necessarily indicative of exercise patterns that may occur

(In millions except per share data)	2011	2010	2009
Weighted-average fair value per share of SARs granted	$ 22 25	$ 16 61	$ 2 90
Assumptions (weighted-average)			
Risk-free interest rate	1 5%	2 3%	2 1%
Expected dividend yield	1 2%	0 8%	2 9%
Expected volatility	53 4%	51 8%	38 5%
Expected life (in years)	5 0	5 0	5 0

A progression of activity and various other information relative to SARs and previously issued and vested stock options is presented in the following table

	2011		2010		2009	
(In thousands except per share data)	Number of common shares	Weighted-average exercise price per share	Number of common shares	Weighted-average exercise price per share	Number of common shares	Weighted-average exercise price per share
Outstanding - beginning of year (a)	3,714	$ 36 11	3,903	$ 33 10	2,888	$ 43 92
Granted	596	51 86	592	37 69	1,350	10 49
Exercised	(698)	31 02	(725)	21 36	(405)	22 56
Converted Hercules options (b)	-	-	-	-	939	31 54
Forfeitures and expirations (b)	(66)	48 62	(56)	31 33	(869)	37 13
Outstanding - end of year (a)	3,546	39 52	3,714	36 11	3,903	33 10
Exercisable - end of year	2,410	40 22	2,408	41 84	2,294	42 67

(a) Exercise prices per share for SARs and options outstanding at September 30, 2011 ranged from $9 49 to $19 81 for 854 000 shares, from $21 43 to $38 47 for 918,000 shares, from $42 58 to $49 79 for 487,000 shares, and from $51 86 to $65 78 for 1,287,000 shares The weighted-average remaining contractual life of outstanding SARs and stock options was 6 3 years and exercisable SARs and stock options was 5 3 years

(b) As part of the Hercules acquisition, Ashland converted certain Hercules options into Ashland options at equivalent exercise stock price values, of which a significant amount expired during 2009

The total intrinsic value of SARs and stock options exercised was $4 million in 2011, $13 million in 2010 and $5 million in 2009 The actual tax benefit realized from the exercised SARs and stock options was $9 million in 2011, $8 million in 2010 and $2 million in 2009 The total grant date fair value of SARs and stock options that vested during 2011, 2010 and 2009 was $8 million, $5 million and $5 million, respectively As of September 30, 2011, there was $10 million of total unrecognized compensation costs related to SARs That cost is expected to be recognized over a weighted-average period of 1 8 years As of September 30, 2011, the aggregate intrinsic value of outstanding SARs and stock options was $34 million and exercisable SARs and stock options was $22 million

Nonvested stock awards

Nonvested stock awards are granted to employees or directors at a price equal to the fair market value of the stock on the date of grant and generally vest over a one-to-five-year period However, such shares are subject to forfeiture upon termination of service before the vesting period ends Nonvested stock awards entitle employees or directors to vote the shares and to receive any dividends or dividend equivalents

A progression of activity and various other information relative to nonvested stock awards is presented in the following table

	2011		2010		2009	
(In thousands except per share data)	Number of common shares	Weighted-average grant date fair value	Number of common shares	Weighted-average grant date fair value	Number of common shares	Weighted-average grant date fair value
Nonvested - beginning of year	354	$ 30 98	254	$ 26 59	300	$ 40 86
Granted	66	52 00	149	41 80	191	13 08
Vested	(48)	42 14	(42)	41 52	(227)	32 48
Forfeitures	(4)	45 82	(7)	37 29	(10)	62 06
Nonvested - end of year	368	33 05	354	30 98	254	26 59

The total fair value of nonvested stock awards that vested during 2011, 2010 and 2009 was $3 million, $2 million and $7 million, respectively As of September 30, 2011, there was $7 million of total unrecognized compensation costs related to nonvested stock awards That cost is expected to be recognized over a weighted-average period of 2 4 years

Performance shares

Ashland sponsors a long-term incentive plan that awards performance shares/units to certain key employees that are tied to Ashland's overall financial performance relative to the financial performance of selected industry peer groups Awards are granted annually, with each award covering a three-year performance cycle Each performance share/unit is convertible to one share of Ashland Common Stock These plans are recorded as a component of stockholders' equity in the Consolidated Balance Sheets Performance measures used to determine the actual number of performance shares issuable upon vesting include an equal weighting of Ashland's total shareholder return (TSR) performance and Ashland's return on investment (ROI) performance as compared to the performance peer groups over the three-year performance cycle TSR relative to peers is considered a market condition while ROI is considered a performance condition under applicable U S GAAP Nonvested performance shares/units do not entitle employees to vote the shares or to receive any dividends thereon

The following table shows the performance shares/units granted for all plans that award Ashland Common Stock

(In thousands)	Performance period	Target shares granted (a)	Weighted-average fair value per share
Fiscal Year 2011	October 1, 2010 - September 30, 2013	158	$ 59 93
Fiscal Year 2010	October 1, 2009 - September 30, 2012	173	$ 39 23
Fiscal Year 2009	October 1, 2008 - September 30, 2011	286	$ 7 99

(a) At the end of the performance period the actual number of shares issued can range from zero to 200% of the target shares granted

The fair value of the ROI portion of the performance share awards is equal to the fair market value of Ashland's Common Stock on the date of the grant discounted for the dividends forgone during the vesting period of the three-year performance cycle Compensation cost is recognized over the requisite service period if it is probable that the performance

NOTE P – STOCK INCENTIVE PLANS (continued)

condition will be satisfied The fair value of the TSR portion of the performance share awards is calculated using a Monte Carlo simulation valuation model using key assumptions included in the following table Compensation cost is recognized over the requisite service period regardless of whether the market condition is satisfied

	2011	2010	2009
Risk-free interest rate	0 3% - 0 8%	0 3% - 1 3%	0 9% - 1 2%
Expected dividend yield	1 0%	1 5%	2 2%
Expected life (in years)	3 0	3 0	3 0
Expected volatility	65 0%	61 2%	43 6%

The following table shows changes in nonvested performance shares/units for all plans that award Ashland Common Stock

	2011		2010		2009	
(In thousands except per share data)	Shares	Weighted-average grant date fair value	Shares	Weighted-average grant date fair value	Shares	Weighted-average grant date fair value
Nonvested - beginning of year	536	$ 25 97	492	$ 31 77	227	$ 61 87
Granted	158	59 93	173	39 23	286	7 99
Vested	(16)	50 78	(29)	62 46	-	-
Forfeitures	(101)	46 85	(100)	66 75	(21)	29 62
Nonvested - end of year	577	30 92	536	25 97	492	31 77

As of September 30, 2011, there was $6 million of total unrecognized compensation costs related to nonvested performance share awards That cost is expected to be recognized over a weighted-average period of approximately 1 8 years

NOTE Q – SEGMENT INFORMATION

Following the ISP acquisition and the Distribution divestiture during fiscal 2011, Ashland's businesses are now managed along four industry segments Specialty Ingredients, Water Technologies, Performance Materials and Consumer Markets

Specialty Ingredients, which was formerly known as Functional Ingredients and now includes the majority of the former operations of ISP, offers industry-leading products, technologies and resources for solving formulation and product performance challenges in a variety of markets including personal care, pharmaceutical, food and beverage, coatings, construction and energy

Water Technologies is a leading specialty chemical supplier to the pulp, paper, mining, food and beverage, commercial and institutional, chemicals processing, general manufacturing, and municipal wastewater-treatment industries

Performance Materials is a global producer of specialty resins and adhesives serving the construction, transportation, infrastructure, packaging and converting, marine and energy markets As previously discussed in Note C, on November 30, 2010 Ashland completed the transaction to expand the global joint venture with Sud-Chemie, serving the foundry chemical sector As part of the transaction, Ashland transferred its existing Casting Solutions business to the expanded joint venture Effective December 1, 2010, Ashland's share of the joint venture's results of operations are recorded as equity income in the Statements of Consolidated Income As a result, future reported results for Performance Materials will no longer include the sales, cost of sales, selling, general and administrative expense and corresponding taxes related to this business Ashland will include the financial results of the joint venture within operating income of the Performance Materials' segment and the equity and other income caption of the Statements of Consolidated Income In addition, as part of the ISP acquisition, the Elastomers line of business was included within this segment

Consumer Markets is a leading innovator and supplier of high-performance lubricants, automotive chemicals and appearance products, including those marketed under the Valvoline™ brands, and is an operator and franchisor of Valvoline Instant Oil Change™ centers

International data

Information about Ashland's domestic and international operations follows Ashland has no material operations in any individual international country and no single customer represented more than 10% of sales in 2011, 2010 or 2009

	Sales from external customers			Net assets		Property, plant and equipment - net	
(In millions)	2011	2010	2009	2011	2010	2011	2010
United States	$ 3,316	$ 3,024	$ 2,804	$ 674	$ 853	$ 1,978	$ 980
International	3,186	2,717	2,416	3,461	2,954	936	858
	$ 6,502	$ 5,741	$ 5,220	$ 4,135	$ 3,807	$ 2,914	$ 1,838

Segment results

The following tables present various financial information for each segment for the years ended September 30, 2011, 2010 and 2009 and as of September 30, 2011, 2010 and 2009 Results of Ashland's business segments are presented based on its management structure and internal accounting practices The structure and practices are specific to Ashland, therefore, the financial results of Ashland's business segments are not necessarily comparable with similar information for other comparable companies Ashland allocates all costs to its business segments except for certain significant company-wide restructuring activities, such as the current restructuring plans described in Note F, and other costs or adjustments that relate to former businesses that Ashland no longer operates Ashland refines its expense allocation methodologies to the reportable segments from time to time as internal accounting practices are improved, more refined information becomes available and businesses change Revisions to Ashland's methodologies that are deemed insignificant are applied on a prospective basis

Change in expense allocation for pension and other postretirement benefit plans

As discussed in Notes A and M, Ashland elected during 2011 to change its method of recognizing actuarial gains and losses for its defined benefit pension and other postretirement benefit plans In connection with this change in accounting policy for pension and other postretirement benefits, Ashland also elected to change its method of accounting for certain costs included in inventory Ashland has elected to exclude the amount of its pension and other postretirement benefit costs applicable to inactive participants from inventoriable costs and charge them directly to cost of sales While Ashland's historical policy of including all pension and other postretirement benefit costs as a component of inventoriable costs was acceptable, Ashland believes that the new policy is preferable, as inventoriable costs will only include costs that are directly attributable to current employees Applying this change retrospectively, in connection with the change in accounting for pension and other postretirement benefit costs, did not have a significant impact on previously reported inventory, cost of sales or segment reported results in any of the prior period financial statements The financial information disclosed in the following tables for each business segment reflects the retrospective application of this expense allocation change on each period

In addition, as a further attempt to properly match actual operational expenses each business segment is incurring, Ashland has changed its expense allocation for pension and other postretirement benefit plans during 2011 Previously, Ashland allocated all components of pension and other postretirement benefit plan expenses to each business segment on a ratable basis Ashland now allocates only the service cost component of these plans to the actual business segment that incurred this expense All other pension and other postretirement benefit plan expense components are recorded within the Unallocated and other reporting segment Ashland believes the revised expense allocation will more appropriately match the cost incurred for active employees to the respective business segment The financial information disclosed in the following tables for each business segment reflects the retrospective application of this expense allocation change on each period

NOTE Q – SEGMENT INFORMATION (continued)

Ashland Inc and Consolidated Subsidiaries

Segment Information

Years Ended September 30

(In millions)	2011	2010	2009
Sales			
Specialty Ingredients	$ 1,256	$ 915	$ 812
Water Technologies	1,902	1,785	1,652
Performance Materials	1,373	1,286	1,106
Consumer Markets	1,971	1,755	1,650
	$ 6,502	$ 5,741	$ 5,220
Equity income			
Specialty Ingredients	$ 1	$ -	$ -
Water Technologies	1	1	1
Performance Materials	5	8	6
Consumer Markets	10	10	8
Unallocated and other	-	-	(1)
	17	19	14
Other income (expense)			
Specialty Ingredients	1	1	-
Water Technologies	3	(1)	1
Performance Materials	5	6	6
Consumer Markets	10	12	8
Unallocated and other	13	11	5
	32	29	20
	$ 49	$ 48	$ 34
Operating income (loss)			
Specialty Ingredients	$ 171	$ 125	$ 44
Water Technologies	93	130	95
Performance Materials	37	32	10
Consumer Markets	213	270	259
Unallocated and other	(384)	(308)	(499)
	$ 130	$ 249	$ (91)
Assets			
Specialty Ingredients	$ 6,338	$ 2,672	$ 2,782
Water Technologies	1,942	1,914	1,919
Performance Materials	1,512	1,109	995
Consumer Markets	986	854	819
Unallocated and other	2,188	2,981	3,095
	$ 12,966	$ 9,530	$ 9,610

Ashland Inc and Consolidated Subsidiaries

Segment Information (continued)

Years Ended September 30

(In millions)	2011	2010	2009
Investment in equity affiliates			
Specialty Ingredients	$ 3	$ 2	$ -
Water Technologies	5	4	4
Performance Materials	150	42	54
Consumer Markets	31	25	18
Unallocated and other	4	3	3
	$ 193	$ 76	$ 79
Operating income not affecting cash			
Depreciation and amortization			
Specialty Ingredients (a)	$ 113	$ 99	$ 106
Water Technologies (a)	85	88	99
Performance Materials	59	53	63
Consumer Markets	38	36	36
Unallocated and other	4	4	11
	299	280	315
Other noncash items			
Specialty Ingredients	21	7	33
Water Technologies	7	10	14
Performance Materials	4	6	4
Consumer Markets	7	6	4
Unallocated and other	324	275	413
	363	304	468
	$ 662	$ 584	$ 783
Property, plant and equipment - net			
Specialty Ingredients	$ 1,588	$ 654	$ 654
Water Technologies	351	357	362
Performance Materials	520	364	367
Consumer Markets	256	252	241
Unallocated and other	199	211	259
	$ 2,914	$ 1,838	$ 1,883
Additions to property, plant and equipment			
Specialty Ingredients	$ 74	$ 75	$ 58
Water Technologies	49	32	26
Performance Materials	32	29	27
Consumer Markets	34	39	33
Unallocated and other	12	17	21
	$ 201	$ 192	$ 165

(a) Includes, during 2009, amortization for purchased in-process research and development of $5 million within both Specialty Ingredients and Water Technologies

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents quarterly financial information and per share data relative to Ashland's Common Stock All periods presented reflect the change in accounting policy regarding pension and other postretirement benefit plans as previously disclosed in the Form 8-K filing dated September 9, 2011 For further information on this change, see Notes A and M

Quarters ended	December 31		March 31		June 30		September 30	
(In millions except per share data)	2010	2009	2011	2010	2011	2010	2011(a)	2010(b)
Sales	$ 1,433	$ 1,324	$ 1,557	$ 1,423	$ 1,667	$ 1,478	$ 1,846	$ 1,516
Cost of sales	1,035	903	1,094	989	1,233	1,034	1,528	1,198
Gross profit as a percentage of sales	27 8%	31 8%	29 7%	30 5%	26 0%	30 0%	17 2%	21 0%
Operating income (loss)	114	137	256	142	129	150	(370)	(180)
Income (loss) from continuing operations	71	71	182	13	75	125	(273)	(121)
Net income (loss)	99	95	485	30	93	157	(263)	(141)
Basic earnings per share								
Continuing operations	$ 0 92	$ 0 93	$ 2 30	$ 0 15	$ 0 96	$ 1 58	$ (3 50)	$ (1 53)
Net income (loss)	1 27	1 24	6 13	0 38	1 20	2 01	(3 38)	(1 79)
Diluted earnings per share								
Continuing operations	$ 0 91	$ 0 91	$ 2 26	$ 0 15	$ 0 94	$ 1 55	$ (3 50)	$ (1 53)
Net income (loss)	1 25	1 21	6 02	0 37	1 17	1 96	(3 38)	(1 79)
Regular cash dividends per share	$ 0 15	$ 0 075	$ 0 15	$ 0 075	$ 0 175	$ 0 15	$ 0 175	$ 0 15
Market price per common share								
High	$ 56 82	$ 43 01	$ 61 40	$ 54 46	$ 69 46	$ 63 73	$ 66 95	$ 53 10
Low	47 60	33 29	51 32	38 64	55 06	46 37	43 65	42 77

(a) Fourth quarter results include decreases in operating income of $438 million related to the actuarial loss on pension and postretirement benefit plans, $40 million for severance and accelerated depreciation charges associated with cost-structure efficiency initiatives $16 million for a nonrecurring purchase accounting adjustment related to inventory, as well as a $13 million charge for environmental remediation assessments

(b) Fourth quarter results include decreases in operating income of $268 million related to the actuarial loss on pension and postretirement benefit plans, as well as $17 million for severance and accelerated depreciation charges associated with cost-structure efficiency initiatives

Ashland Inc and Consolidated Subsidiaries

Schedule II - Valuation and Qualifying Accounts

(In millions)	Balance at beginning of year	Provisions charged to earnings	Reserves utilized	Acquisition and other changes	Balance at end of year
Year ended September 30, 2011					
Reserves deducted from asset accounts					
Accounts receivable	$ 21	$ 19	$ (8)	$ 5	$ 37
Inventories	19	2	(6)	19	34
Tax valuation allowance	870	(156)	-	4	718
Year ended September 30, 2010					
Reserves deducted from asset accounts					
Accounts receivable	$ 29	$ -	$ (8)	$ -	$ 21
Inventories	19	5	(5)	-	19
Tax valuation allowance	930	(33)	(10)	(17)	870
Year ended September 30, 2009					
Reserves deducted from asset accounts					
Accounts receivable	$ 19	$ 22	$ (11)	$ (1)	$ 29
Inventories	9	13	(3)	-	19
Tax valuation allowance	26	16	-	888	930

Ashland Inc and Consolidated Subsidiaries

Five-Year Selected Financial Information

Years Ended September 30

(In millions except per share data)	2011	2010	2009	2008	2007
Summary of operations					
Sales	$ 6,502	$ 5,741	$ 5,220	$ 4,176	$ 3,923
Costs and expenses					
Cost of sales	4,890	4,124	3,850	3,209	2,859
Selling, general and administrative expense	1,442	1,330	1,399	900	761
Research and development expense	89	86	96	48	45
	6,421	5,540	5,345	4,157	3,665
Equity and other income	49	48	34	50	46
Operating income (loss)	130	249	(91)	69	304
Net interest and other financing (expense) income	(121)	(197)	(205)	28	46
Net gain (loss) on acquisitions and divestitures	(5)	21	59	20	(3)
Other income (expense)	(1)	2	(86)	-	-
Income (loss) from continuing operations before income taxes	3	75	(323)	117	347
Income tax expense (benefit)	(53)	(13)	(83)	30	90
Income (loss) from continuing operations	56	88	(240)	87	257
Income (loss) from discontinued operations	358	53	(21)	29	118
Net income (loss)	$ 414	$ 141	$ (261)	$ 116	$ 375
Balance sheet information (as of September 30)					
Current assets	$ 3,387	$ 2,833	$ 2,478	$ 3,026	$ 3,276
Current liabilities	1,739	1,687	1,577	1,230	1,152
Working capital	$ 1,648	$ 1,146	$ 901	$ 1,796	$ 2,124
Total assets	$ 12,966	$ 9,530	$ 9,610	$ 5,771	$ 5,686
Short-term debt	$ 83	$ 71	$ 23	$ -	$ -
Long-term debt (including current portion)	3,749	1,153	1,590	66	69
Stockholders' equity	4,135	3,807	3,601	3,198	3,154
Capital employed	$ 7,967	$ 5,031	$ 5,214	$ 3,264	$ 3,223
Cash flow information					
Cash flows from operating activities from continuing operations	$ 243	$ 551	$ 735	$ 298	$ 263
Additions to property, plant and equipment	201	192	165	178	124
Cash dividends	51	35	22	69	743
Common stock information					
Basic earnings per share					
Income (loss) from continuing operations	$ 0 72	$ 1 14	$ (3 31)	$ 1 39	$ 4 09
Net income (loss)	5 28	1 82	(3 60)	1 83	5 97
Diluted earnings per share					
Income (loss) from continuing operations	0 70	1 11	(3 31)	1 37	4 03
Net income (loss)	5 17	1 78	(3 60)	1 82	5 87
Dividends					
Regular cash dividends per share	0 65	0 45	0 30	1 10	1 10
Special cash dividend per share (a)	-	-	-	-	10 20

(a) Paid as a result of the APAC divestiture, see Note D for further information on the sale

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Board | of | Directors

Roger W. Hale[2,3]
Independent consultant and retired Chairman and Chief Executive Officer, LG&E Energy Corp

Kathleen Ligocki[1,2a,4]
Chief Executive Officer and director, Next Autoworks Co

Vada O. Manager[1,4]
Sr Vice President, APCO Worldwide

James J. O'Brien[b]
Chairman and Chief Executive Officer, Ashland Inc

Barry W. Perry[1,3a,c]
Retired Chairman and Chief Executive Officer, Engelhard Corp

Mark C. Rohr[1,2]
Executive Chairman, Albemarle Corp

George A. Schaefer Jr.[1a,3]
Retired Chairman and Chief Executive Officer, Fifth Third Bancorp

Theodore M. "Tim" Solso▲[3,4a]
Chairman and Chief Executive Officer, Cummins Inc

John F. Turner[2,3a]
Former U S Assistant Secretary of State, Bureau of Oceans and International and Scientific Affairs

Michael J. Ward[2,4]
Chairman and Chief Executive Officer, CSX Corp

Committees

(1) Audit
(2) Environmental, Health and Safety
(3) Governance and Nominating
(4) Personnel and Compensation
[a] Committee chairman
[b] Officer/Director
[c] Lead Independent Director
▲ Retiring from Board of Directors effective Jan 26 2012

Executive | Officers

James J. O'Brien
Chairman and Chief Executive Officer

Lamar M. Chambers
Sr Vice President and Chief Financial Officer

Peter J. Ganz
Sr Vice President and General Counsel

David L. Hausrath[1]
Sr Vice President

Susan B. Esler
Vice President and Chief Human Resources and Communications Officer

Theodore L. Harris
Sr Vice President, President, Global Supply Chain, and President, Ashland Performance Materials

J. William Heitman
Vice President and Controller

Samuel J. Mitchell Jr.
Sr Vice President and President, Ashland Consumer Markets

John E. Panichella
Sr Vice President and President, Ashland Specialty Ingredients

Steven E. Post
Vice President, Operations and Environmental, Health and Safety

Paul C. Raymond III
Sr Vice President and President, Ashland Water Technologies

Anne T. Schumann
Vice President and Chief Information and Administrative Services Officer

Walter H. Solomon
Vice President and Chief Growth Officer

Retiring effective Dec 1, 2011

Corporate | Officers

Eric N. Boni[1]
Vice President and Treasurer

John P. Goswell[1]
Vice President, Internal Audit

Scott A. Gregg
Vice President, Tax

John W. Joy
Vice President, Corporate Development

Karen T. Murphy[2]
Vice President, Environmental, Health and Safety

J. Kevin Willis
Vice President, Finance

Linda L. Foss
Assistant General Counsel and Corporate Secretary

John F. Guldig[2]
General Auditor

[1] Effective Dec 1 2011
[2] Retiring effective March 31 2012

Shareholder | Information

Corporate headquarters

Ashland Inc
50 East RiverCenter Boulevard
PO Box 391
Covington, KY 41012-0391
T +1 859 815 3333

Financial information

Ashland Inc's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as well as any beneficial ownership reports of officers and directors filed electronically on Forms 3, 4 and 5, are available at www ashland com

Paper copies also are available upon request and at no charge. Requests for these and other shareholder and security analyst inquiries should be directed to:

David A. Neuberger
Director, Investor Relations
Ashland Inc.
P.O. Box 391
Covington, KY 41012-0391
T: +1 859.815.4454
F: +1.859.815 5188
E: investor_relations@ashland.com

Ticker symbol: ASH

Fiscal 2011 closing stock prices per common share

High	$68 34	05/31/11
Low	$44 14	09/30/11
Year-end	$44 14	09/30/11

Annual meeting

The annual shareholders' meeting will be held at the Metropolitan Club in Covington, Ky, at 10 30 a m EST, Thursday, Jan 26, 2012 Notice of the annual meeting and availability of proxy materials is mailed to shareholders in December, along with instructions for viewing proxy materials online Shareholders may also request printed copies of the proxy statement and annual report by following the instructions included in the Notice

Stock information

Ashland Inc is incorporated under the laws of the commonwealth of Kentucky Ashland common stock is listed on the New York Stock Exchange and also has trading privileges on NASDAQ

Questions regarding shareholder accounts, dividends or the dividend reinvestment plan should be directed to Ashland's transfer agent and registrar

Wells Fargo Shareowner Services
161 North Concord Exchange
South St Paul, MN 55075

Mailing Address
Wells Fargo Shareowner Services
PO Box 64874
St Paul, MN 55164

Phone	+1 855 598 5486 toll-free (U S)
	+1 651 450 4064 (non-U S)
TDD	+1 651 450 4144
Web	www shareowneronline com

Dividends

Ashland's current quarterly cash dividend is 175 cents per share Ashland's historical practice has been to pay dividends on the 15th day of March, June, September and December if declared by the board of directors Ashland's board of directors has declared a dividend every quarter since December 1936

Ashland offers electronic deposit of dividend checks For more information, please contact Wells Fargo Shareowner Services at +1 855 598 5486 (+1 651 450 4064 outside the U S)

Independent registered public accounting firm

PricewaterhouseCoopers LLP
720 East Pete Rose Way, Suite 400
Cincinnati, Ohio 45202

Media inquiries

Gary L Rhodes
Director, Corporate Communications
T +1 859 815 3047
E mediarelations@ashland com

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ashland.com

ASHLAND

AGENDA
ITEM
#12

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

Date of Request	10/10/12	**Department**	Community Services Division		
Renewal Contract	NO	**Orgkey:**	440100	**Object Code:**	5451104
Contract Start Date	10/1/2012	**Vendor**	Peninsula Emergency Medical Services, Inc		
Contract End Date	9/30/2013	**Vendor No:**	714182	**Contract No**	
Description	Contract for Peninsula Emergency Medical Services, Inc				
Contract # Issued By Purchasing	CM13029	**Requested Legal Review**	Yes X No ___		

Fund Name	**Fund #**	**FY13 $ Budget**	**FY13 $ Request**	**FY14 $ Request**	**FY15 $ Request**	**FY16 $ Request**	**FY17 $ Request**
Galveston County EMS		$ 791,250	~~791,250~~				
		395,625.00	395,625.00				
Totals					-	-	-

Total Cost	$	395,625.00 ~~791,250~~

Approved By.	Date	Signature
Department Head	9/27/2012	
Purchasing Agent	10-15-12	
County Legal	10-11-12	
County Budget Office	11/1/2012	11/3/2012

Form Number

STATE OF TEXAS

COUNTY OF GALVESTON

CONTRACT

This contract is made and entered in to by and between the County of Galveston, Texas, acting by and through its County Commissioners' Court, hereafter called "County" and the Peninsula Emergency Medical Services, Incorporated, a Texas non-profit corporation, acting by and through its officers hereunto duly authorized, hereinafter called "PEMSI"

WITNESSETH

WHEREAS, Section 122 001, health and Safety Code, provides that the Commissioners' Court may appropriate and expend money from general revenue for and in behalf of public health and sanitation, and

WHEREAS, this statute authorizes the County to financially assist PEMSI in order that it might continue to furnish a combination of volunteer and paid emergency ambulance services to various areas of the County which are not within the corporate limits of a city or town, and

WHEREAS, the Commissioners' Court finds that this agreement is necessary to protect the health or safety of the residents of the County, and

WHEREAS, citizens residing within the unincorporated areas of the County are in need of obtaining the services of PEMSI to assist them in time of need, and

WHEREAS, PEMSI is organized to provide voluntary ambulance services and as such is willing to perform such services even in the absence of this contract, and

WHEREAS, the County is desirous of so assisting PEMSI in its continued efforts,

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual covenants herein expressed it is agreed as follows:

I

This agreement shall become effective beginning 12 01 a.m on the 1st day of October, 2012, until midnight the 31th of March, 2013.

This agreement may be terminated as to any party if any party breaches a material provision of this agreement. The non-breaching party shall provide the breaching party written notice of the material breach. The breaching party shall cure the breach within ten (10) calendar days or the agreement automatically terminates as to the breaching party.

This agreement may be terminated by either party, with or without cause, or for convenience, upon thirty (30) day prior written notice of its intention to the other party.

For and in the consideration paid by the parties, as herein provided, PEMSI agrees to operate, furnish and manage, on a 24-hour basis a public emergency medical service within the service area. The service area is defined as the Galveston County portion of the Bolivar Peninsula. This service will be provided for the use and benefit of the parties, their inhabitants, visitors and all others who may have occasion to need or require prompt emergency medical service in connection therewith For the purposes of this agreement "emergency medical service" shall mean and include service for the emergency treatment and transportation of a person in medical distress to an appropriate medical facility.

PEMSI shall provide at least 2 vehicles. The vehicles shall be fully equipped with such medical supplies and equipment as is required by the Texas Health and Safety Code Chapter 157 and in accordance with medical protocols established by an appropriate medical director

PEMSI will provide the personnel necessary to operate the vehicles. Such Emergency Medical Technicians and Paramedics shall be scheduled to provide coverage 24 hours per day Emergency medical personnel shall be certified pursuant to the applicable standards set forth by State law.

PEMSI shall at all times maintain and keep in full force and effect one or more policies of medical malpractice insurance. Furthermore, PEMSI shall maintain policies of liability on their employees and list the County of Galveston as an additional insured. The policy shall be for no less than the maximum amount of liability to which the County could be exposed by the Tort Claims Act

To assist it in purchasing insurance, supplies, equipment and material, as well as paying the salaries of such state certified emergency medical personnel to allow PEMSI to continue to meet the state minimum standards of maintaining a license to provide Emergency Medical service, the County agrees to give to PEMSI the sum of three hundred ninety-five thousand six hundred twenty-five dollars ($395,625 00) PEMSI agrees that said three hundred ninety-five thousand six hundred twenty-five dollars ($395,625.00) will be used by it for the purchase of required, supplies, equipment and material, as well as paying the salaries of such state certified emergency medical personnel to allow PEMSI to continue to meet the state minimum standards of maintaining a license to provide Emergency Medical service.

Payments will be made in six (6) equal payments of sixty-five thousand, nine hundred thirty-seven dollars and fifty cents ($65,937 50) Services for each month shall be considered completed at the end of each calendar month and paid accordingly, absent any bona fide dispute regarding the services performed under this agreement.

Payments will be made in accordance with Ch 2251 of the Texas Government Code, a/k/a the Texas Prompt Payment Act.

II.

PEMSI agrees to keep a complete list of all equipment in inventory and purchases of such equipment and its value This equipment inventory report will be updated annually and submitted to County during the last month of each Fiscal Year. Reports should be submitted to:

Director
Galveston County Community Services Division
722 Moody
Fifth Floor
Galveston, Texas 77550

In addition, PEMSI agrees to submit a proposed budget by May 15, 2013, and an annual financial report and budget to the County Auditor for purposes of review within 30 days of the close of the County's fiscal year end (September 30) Financial Reports and Budgets should be submitted to:

Cliff Billingsly
Auditor for the County of Galveston
722 Moody
Fourth Floor
Galveston, Texas 77550

Director
Galveston County Community Services Director
722 Moody
Fifth Floor
Galveston, Texas 77550

The budget shall include salaries of officers and employees, fringe benefits, supplies, training, maintenance, travel, fees, vehicle purchases or rental, fuel costs, automobile liability coverage, medical malpractice insurance, and other such costs as may be required for the operation of ambulances. The budget shall also include an accounting of all sources of revenue during the period of this agreement

PEMSI shall maintain the necessary financial records to support the expenditure of the funds delivered by the County The County shall have a right to audit these records for up to four years after the close of the County's fiscal year end (September 30). The County shall examine these records at a location of its choosing. PEMSI shall promptly (within thirty days of receipt of any audit report from the County) respond to any discrepancies noted by the County.

III.

PEMSI agrees that it shall abide by all State and Federal laws and abide by accepted industry standards in the performance of providing emergency medical services.

PEMSI agrees that it shall abide by all requirements contained in Chapter 22 of the Texas Business Organization Code.

It is specifically provided between the parties that the acts of any agents, employees, volunteers or members of PEMSI or of any other person or persons assisting it while providing ambulance services, traveling to or from an ambulance call, or in any manner furnishing ambulance service to citizens of the unincorporated areas of the County shall be considered as the acts of the officers, employees, or agents of PEMSI in all respects and that the County shall not be held liable for the acts, or failure to act, of the officers, employees, or agents PEMSI

This contract is not one of remuneration Nor is this contract to be construed as one wherein the County is furnishing ambulance services Nothing in this Contract shall be construed to waive a provision contained within Chapter 74 of the Civil Practice and Remedies Code of the State of Texas, commonly known as the Good Samaritan Law

The parties agree that County does not waive its immunity to suit or liability by entering into this agreement.

V.

PEMSI agrees to indemnify and save harmless the County of Galveston, its agents, Commissioners, Boards , officers and employees from any and all suits, actions or claims of any character type or description brought or made for or on account of any injuries or damages received or sustained by an person or persons arising out of or occasioned by the acts of PEMSI, its members, deputies, agents or employees.

VI.

If this agreement is terminated prior to the expiration of its full term, the parties agree that no further installment payments will be owed or due under this agreement, other than payments that will be issued by the County prior to the date of termination as determined by the notice

Failure upon the part of a party to enforce any provision of this agreement shall not act as a waiver of compliance or estoppels against that party

Any covenant, condition, or provision herein contained that is held to be invalid by Court of competent jurisdiction shall be deleted from this agreement, but such decision shall in no way effect any other covenant, condition or provision herein contained

This agreement will not be construed to act for the benefit of any third party.

VII.

This contract constitutes the sole and only agreement of the parties hereto and supersedes any prior understanding or written or oral agreement between the parties respecting the within subject matter

EXECUTED this 11th day of December, 2012.

Respetfully submitted,

COUNTY·
GALVESTON COUNTY, TEXAS

By: Mark Henry
Mark Henry,
County Judge

ATTEST:

Dwight D. Sullivan
Dwight D. Sullivan,
County Clerk

Peninusla Emergency Services, incorporated

By
President
Peninsula Emergency Medical Services

AGENDA ITEM #13

CC 11/27/12

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 11/19/2012	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes No
4 Department Name Information Technology		5 Department Contact JJ Allen	
6 Description Maintenance and License Fees for Odyssey			
7 IFAS PEID No 703954	8 IFAS Req No	9 Orgkey 1101159100	10 Object Code 5481000
11 Vendor Texas Conference of Urban Counties		12 Vendor Contract No	
13 Requested Legal Review Yes No (Explain if No)			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
Contract Services	5481000	~~$263,844 00~~ ~~220,000~~	~~$220,000 00~~ ~~263,844~~				
Covered by surplus from 0005 Maintenance		$275,844					
22 Totals		~~263 844~~	~~220 000~~			-	

To Be Completed By Purchasing Department

Contract Start Date 11/28/07	Auto Renewal Contract Yes / No	Bid No
Contract End Date 09/30/13	Contract Issued By Purchasing CM 08133	

AMEND #5

Approved By	Signature	Date
~~Department Head~~ Admin Coor Assistant	JJ Allen	11-19-12
Purchasing Agent	Erven a McLaren, CPPB	11/19/2012
County Legal	Nancy Bozeman	11/20/12
Contract listed in Budget Documentation Yes / No		
County Budget Office	[signature]	~~11/20/12~~ 11/21/2012

Galveston County Purchase Requisition

Department INFORMATION TECHNOLOGY Date 27 Nov-2012

Deliver To INFORMATION TECHNOLOGY Date Required 7-Dec-2012

Quantity	Unit	Description	Unit Price	Total	#1	VENDOR #2	#3
1	EA	LICENSE FEES PUBLIC ACCESS SECURE	$ 12,000 00	$ 12,000 00			
		ATTORNEY					
1	EA	ANNUAL MAINTENANCE COURT ADMINISTRATION	$ 183,751 00	$ 183,751 00			
1	EA	ANNUAL MAINTENANCE APPEALS	$ 2,730 00	$ 2,730 00			
1	EA	ANNUAL MAINTENANCE AUTO ATTACH	$ 5,460 00	$ 5,460 00			
1	EA	ANNUAL MAINTENANCE HOT CHECKS	$ 15,750 00	$ 15,750 00			
1	EA	ANNUAL MAINTENANCE- PUBLIC ACCESS- SECURE	$ 2,520 00	$ 2,520 00			
		ATTORNEY					
1	EA	CUC TEXAS COUNTY ENTERPRISE MOD- GALVESTON	$ 22,101 00	$ 22,101 00			
		COUNTY ENTERPRISE MODS					
1	EA	CUC OVERSIGHT CONTRACT ADMINISTRATION	$ 31,532 00	$ 31,532 00			
		TOTAL		*$ 275,844 00*			
		FOR MAINTENANCE AND LICENSE FEE'S FOR					
		ODYSSEY					
		APPROVED IN CC 11/27/12					
		DATE REQUIRED BY 12/07/2012					
		CONTRACT NUMBER CM08133					
		START DATE 11/28/07, END 09/30/13					

I certify the above are required for discharge of my official duties, and I hereby authorize the Purchasing Agent to commit budgeted funds for the purchase thereof and further certify that the requisition contains all separate sequential and/or components of the item(s) listed and that requirements are not requested in a manner to avoid competitive bidding process

MMIT
~~DHIT~~

ITSO ______ Init/Date

Charge to a/c : 11011591005481000

CR#CR302231

Suggested Vendor TEXAS CONFERENCE OF URBAN COUNTIES

Vendors Contacted
#1
#2
#3

I have this date order the above material or services from
Vendor Number 703954

Quotations obtained by
☐ Sealed Bids Contract
☐ Verbal Quotation Agreed Price
Purchase Order No
Date ordered 20

PURCHASING AGENT

AMENDMENT NO. 5 ("Amendment 5")
TO TECHSHARE RESOURCE SHARING ADDENDUM
COMMON INTEGRATED JUSTICE SYSTEM (CIJS) COURT ADMINSTRATION SYSTEM

The Parties hereby amend the TECHSHARE RESOURCE SHARING ADDENDUM ("Addendum") for the Common Integrated Justice System ("CIJS") Court Administration System that was approved by the County of Galveston, Texas ("Galveston County") and became effective on November 28, 2007 as follows.

1) The term of the addendum is extended to September 30, 2013.

2) Attachment A of the Addendum is amended by replacing the "Anticipated Payments to Texas Conference of Urban Counties in Fiscal Year 2012" with the revised attached "Anticipated Payments to Texas Conference of Urban Counties in Fiscal Year 2013"

3) Except as set forth herein, all provisions of the Addendum and any written amendment thereto, not inconsistent herewith, shall be in full force and effect

Executed this 27th **day of** November, **20** 12.

COUNTY OF GALVESTON

By County Judge Mark Henry

Approved as to form:

Name ______________________

Title ______________________

Date.______________________

TEXAS CONFERENCE OF URBAN COUNTIES

By Executive Director 10/3/12

tcuc ts cijs 13 galveston 003 cas a

Attachment A – Financial Plan
Anticipated Payments to Texas Conference of Urban Counties in Fiscal Year 2013:

The following schedule shows the estimated dates for payments to the Texas Conference of Urban Counties for CIJS Software License and Maintenance, Enterprise Modifications and Contract Administration for Fiscal Year 2013 The schedules are updated at the beginning of each Fiscal Year and presented to the Commissioners Court for approval

Payments to Tyler Technologies for Implementation Services will continue to be made directly to Tyler Technologies in accordance with the License Participation Agreement, the Implementation Budget (included with the License Participation Agreement), and the Implementation Plan.

Annual Maintenance payments are listed below to reflect the full annual contract amount In the event that a go-live takes place after October 1, 2012, that module will be billed on a pro-rated basis accordingly.

Fiscal Year 2013	Amount	Est Payment Date
Court Sytem Software		
License Fees		
Public Access- Secure Attorney	$ 12,000	Oct-12
Annual Maintenance		
Court Administration	$ 183,751	Oct-12
Appeals	$ 2,730	Oct-12
Auto Attach	$ 5,460	Oct-12
Hot Checks	$ 15,750	Oct-12
Public Access- Secure Attorney	$ 2,520	Oct-12
CUC Texas County Enterprise Mod		
Galveston County Enterprise Mods	$ 22,101	Oct-12
CUC Oversight		
Contract Administration	$ 31,532	Oct-12
Totals Fiscal Year 2013	**$ 275,844**	

tcuc ts cijs 13 galveston 003 cas a

AGENDA
ITEM
#14

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 12/5/12	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes / No
4 Department Name Community Services-Child Welfare		5 Department Contact Connie Nicholson	
6 Description Contract between UTMB, Galveston County Children's Services Board and Galveston County for services to be provided for the Texas Department of Family and Protective Services			
7 IFAS PEID No 402812	8 IFAS Req No	443300	10 Object Code 5412133
11 Vendor UTMB Physician's Assistant		12 Vendor Contract No	
13 Requested Legal Review Yes / No (Explain if No)			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
Physicians Assistant	2501	$62 900	$62 900				
22 Totals		62 900	62 900	-	-	-	

To Be Completed By Purchasing Department

Contract Start Date 10/01/12	Auto Renewal Contract Yes / No	Bid No N/A
Contract End Date 9/30/13	Contract # Issued By Purchasing CM13074	

Approved By	Signature	Date
Department Head	Connie Nicholson	12/5/2012
Purchasing Agent	[signature]	12-5-2012
County Legal	Dan Green	12-5-2012

Contract listed in Budget Documentation Yes / No

County Budget Office	[signature]	12-5-2012

Form Number

Revised 9/25/2012

AGREEMENT BETWEEN
THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON,
THE GALVESTON COUNTY CHILDREN'S SERVICES BOARD, AND GALVESTON COUNTY FOR SERVICES TO BE PROVIDED FOR THE TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

This Agreement is entered into pursuant to Texas Family Code, Chapter 264, by and between **The University of Texas Medical Branch at Galveston** ("UTMB"), an institution of The University of Texas System which is an agency of the State of Texas, on behalf of its Department of Pediatrics, **The Galveston County Children's Services Board** ("Board"), acting on behalf of the Texas Department of Family and Protective Services ("CPS"), and **Galveston County** ("County"), the Board's financial conduit for this Agreement

RECITALS

WHEREAS, Board is authorized by Texas Family Code § 264 005(d) to provide coordinated state and local public welfare services for children and their families on behalf of CPS, and

WHEREAS, Board desires the professional services of a UTMB Physician Assistant ("PA") or Pediatric Nurse Practitioner ("PNP"), as designated by UTMB, to assist Board in addressing such health care needs of CPS clientele as described herein, and

WHEREAS, Board desires to pay for said professional services for the children of Galveston County utilizing funds provided by County, and

WHEREAS, UTMB desires to provide the professional services described herein,

NOW THEREFORE, for and in consideration of the mutual promises and covenants set forth herein, UTMB, Board and County (collectively, the "Parties") agree as follows

I. RESPONSIBILITIES OF UTMB

1 1 Services Provided UTMB shall provide a PA/PNP, as designated by UTMB, from UTMB's Department of Pediatrics to perform the services contained in *Exhibit A, entitled "Services Provided"*, attached hereto and incorporated herein for all purposes

1 2 Availability UTMB shall provide the services of a PA/PNP in accordance with the terms and conditions provided in *Exhibit B, entitled "Availability"*, attached hereto and incorporated herein for all purposes

1 3 Reporting UTMB will report on a monthly basis to CPS, Board and County's Director of Community Services as provided in *Exhibit A, Item (j)*

1 4 Financial Recordkeeping UTMB shall maintain all necessary financial records to support the expenditure of all funds paid by Board utilizing County funds pursuant to Section III of this Agreement

1 4 1 The Board, through the offices of the Galveston County Auditor, shall have the unfettered right to audit these financial records for up to three (3) years after the expiration or early termination of the initial term of this Agreement In addition, should this Agreement be renewed on an annual basis as provided in Article 4 14 below, the Galveston County Auditor shall have the unfettered right to audit these financial records for up to three (3) years after the expiration or early termination of each annual renewal period

1 4 2 Upon written request, UTMB shall make these financial records available for examination by the Galveston County Auditor at either UTMB's primary business location or any other location in Galveston County that is mutually agreeable to the parties The County Auditor may receive copies of any records he deems necessary immediately upon request and at no cost to Board or to County

1 4 3 UTMB shall respond to any discrepancies noted by the Galveston County Auditor in its examination of these financial records within ninety (90) days of receiving written notice of such discrepancies UTMB and the Galveston County Auditor will work together in an attempt to resolve such discrepancies

II. RESPONSIBILITIES OF CPS

2 1 Consent for Examination and Treatment Although it is not a signatory to this Agreement, in accordance with the authority granted Board pursuant to Texas Family Code §264 005(d), the Parties anticipate that CPS shall provide or obtain any legal consent in writing necessary to conduct a physical examination and diagnostic assessment of a child's medical problem, grant UTMB access to information found in CPS's records, allow children or their parents, guardians, or family members to be interviewed by UTMB for the purpose of obtaining a medical or forensic history, and allow UTMB to share any information obtained during such assessments and/or interviews with CPS representatives In the event CPS cannot provide or obtain consent, the Parties acknowledge a child may be treated by UTMB pursuant to Chapter 264 of the Texas Family Code or other applicable state law

2 2 Notice of Meetings The parties also anticipate that CPS will give UTMB reasonable notice of all meetings, consultations, training sessions, orientation sessions, workshops, or any other events requiring the presence of a representative of UTMB

2 3 Payment The Board, utilizing County funds, shall compensate UTMB as provided in Section III of this Agreement

III. TERMS FOR PAYMENT

3 1 Compensation

3 1 1 Salary and Benefits Portion The Board shall compensate UTMB for fifty-five percent (55%) of the PA/PNP's salary and benefits Fifty Five percent (55%) of the PA/PN salary and benefits equals FIFTY FIVE THOUSAND, SEVEN HUNDRED FIFTY DOLLARS AND NO CENTS ($55,750 00), this sum shall be payable in twelve (12) equal installments of FOUR THOUSAND SIX HUNDRED FORTY-FIVE DOLLARS AND EIGHTY-THREE CENTS ($4,645 83) per month commencing October 1, 2012, with each installment to be paid on or before the 10th day of each month during the term of this Agreement

3 1 2 Maintenance and Operations Portion In addition to the Salary and Benefits described in Article 3 1 1 above, Board shall provide UTMB TWO THOUSAND FIVE HUNDRED DOLLARS AND NO CENTS ($2,500 00) for Maintenance and Operations Costs This payment will be paid in twelve (12) equal installments of TWO HUNDRED EIGHT DOLLARS AND THIRTY-THREE CENTS ($208 33) per month commencing October 1, 2012

3 1 3 Maintenance and Operations Costs The Maintenance and Operations amount described in Section 3 1 2 above shall be used to pay

(a) dues, subscriptions and travel expenses of the PA/PNP, and

(b) colposcope maintenance

3 1 4 Total The total amount of compensation to be received per year by UTMB shall not exceed FIFTY-EIGHT THOUSAND, TWO HUNDRED FIFTY DOLLARS AND NO CENTS ($58,250 00)

3 2 CPS, Board and County shall not be invoiced or billed for any services rendered by UTMB as all medical provider bills owed by CPS or Board for all services provided under this Agreement are included and covered by the payments set forth in Articles 3 1 1 and 3 1 2 above Further, UTMB shall not bill any third party payor, including Medicaid, for the services it provides under this Agreement, and CPS, Board and/or County shall be entitled to bill any such third party payors for services provided by UTMB under this Agreement as allowed by law

IV. MUTUAL AGREEMENTS

4 1 Indemnification

4 1 1 To the extent authorized by the Constitution and laws of the State of Texas, Board, to the extent it can bind CPS pursuant to Texas Family Code §264 005(d), and County agree to hold the State of Texas, the Board of Regents of The

University of Texas System, UTMB, and their respective officers, employees, and agents harmless from and indemnify each of them against any and all claims, actions, damages, suits, proceedings, judgments, and liabilities, excluding attorney's fees, for personal injury, death, or property damage resulting from the acts or omissions of CPS, Board, or County or resulting from the acts or omissions of others under the supervision or control of CPS, Board or County

4 1 2 To the extent authorized by the Constitution and laws of the State of Texas, UTMB agrees to hold CPS, Board, County and their respective officers, employees, and agents harmless from and indemnify each against any and all claims, actions, damages, suits, proceedings, judgments, and liabilities, excluding attorney's fees, for personal injury, death, or property damage resulting from the acts or omissions of UTMB, UTMB's PA/PNP, or the acts or omissions of others under UTMB's supervision or control

4 2 Self Insurance As an agency of the State of Texas, liability for the tortuous conduct of all other agents and employees of UTMB, including house staff, is provided for solely by the provisions of Chapters 101, 104 and 108 of the Texas Civil Practice and Remedies Code As a governmental unit established pursuant to Chapter 264 of the Texas Family Code, Board's liability for its tortuous conduct as well as the tortuous conduct of its agents and employees is provided solely by the provisions of Chapter 101 of the Texas Civil Practice and Remedies Code As a political subdivision of the State of Texas, County's liability for its tortuous conduct as well as the tortuous conduct of its agents and employees is similarly provided solely by the provisions of Chapter 101 of the Texas Civil Practice and Remedies Code All parties are self insured

4 3 Force Majeure No party shall be required to perform any term, condition, or covenant of this Agreement so long as such performance is delayed or prevented by an Act of God, material or labor restrictions imposed by any governmental authority, civil riot, flood, hurricane, or other natural disaster, or any other cause not reasonably within the control of the party failing to perform

4 4 Entire Agreement This Agreement constitutes the entire Agreement between the Parties No agreements, amendments, or modifications, implied or otherwise, shall be binding on any of the parties unless set forth in writing and signed by Parties

4 5 Governing Law, Venue Board and UTMB agree that this Agreement shall be construed in accordance with the Constitution and laws of the State of Texas and venue shall lie in Galveston County

4 6 Severability If one or more of the provisions of this Agreement, or the application of any provision to any Party or circumstance, is held invalid, unenforceable, or illegal in any respect, the remainder of this Agreement and the application of the provision to other Parties or circumstances shall remain valid and enforceable

4 7 Nondiscrimination The Parties agree that in the performance of this Agreement there will be no discrimination against any person or persons on account of race, color, sex, sexual orientation, religion, age, disability, national origin, or veteran status, and that the Parties shall comply with all applicable requirements of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, Executive Order 11246, the Vietnam Era Veterans' Readjustment Act of 1974, the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and all other federal rules and regulations, state laws, and executive orders as applicable

4 8 Notice Any notice required to be given pursuant to the terms and provisions of this Agreement shall be in writing, and shall be mailed by certified or registered mail, return receipt requested, addressed as set forth below or at such other address as may be specified by written notice

UTMB	William R Elger, CPA Executive Vice President and Chief Business and Finance Officer The University of Texas Medical Branch at Galveston 301 University Boulevard Galveston, TX 77555-0126
cc	C Joan Richardson, M D Chair, UTMB Department of Pediatrics John Sealy Distinguished Chair and Professor 301 University Boulevard Galveston, TX 77555-1119
Board	Jeanette C Elias Chair, Board of Directors The Galveston County Children's Services Board 722 Moody, Fifth Floor Galveston, TX 77550
County	Connie Nicholson Director, Community Services Galveston County Courthouse 722 Moody, 5th Floor Galveston, Texas 77550

4 9 Termination Any Party may terminate this Agreement for any reason or no reason or for convenience by giving the other Parties thirty (30) days prior written notice of such intent to terminate

4 10 Waiver The waiver by a Party of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of this Agreement

4 11 Compliance The Parties shall at all times comply with all applicable ordinances, laws, rules and regulations of local, state and federal governments, or any political subdivision of agency, authority or commission thereof, which may have jurisdiction to pass laws, ordinances, or make and enforce rules and regulations with respect to either Party

4 12 Headings Headings have been included in this Agreement for convenience only and shall not affect the interpretation of any terms found herein

4 13 Independent Contractor Each Party is acting herein as an independent contractor Except to the extent that Board is an entity of CPS as permitted by Texas Family Code §264 005(d), nothing contained herein shall constitute or designate any Party or their employees or agents to act on behalf of any other Party

4 14 Effective Dates This initial term of this Agreement shall become effective October 1, 2012, regardless of the date of execution and, unless terminated sooner as provided in Article 4 9 above, shall remain in effect until September 30, 2013 This Agreement may be extended annually by a letter of extension signed by the Parties Such letter of extension must include the amount of funds budgeted by Board in support of each renewal term

V. HIPAA

5 1 Acknowledgment of HIPAA Obligation To the extent UTMB comes into contact with information considered Individually Identifiable Health Information as defined by the Health Insurance Portability and Accountability Act of 1996, 42 U S C § 1320(d), ("HIPAA") as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH Act") and any pertinent regulations issued by the Department of Health and Human Services ("HHS"), Protected Health Information or Electronic Protected Health Information (collectively, "Protected Information") as regulated by HHS through the adoption of standards, 45 C F R Parts 160 and 164 (Privacy Rule) and 45 C F R Parts 160, 162 and 164 (Security Rule), (collectively, "the HIPAA Rules"), UTMB agrees to keep private and to secure any information considered Protected Information in accordance with federal law

5 2 UTMB agrees to use and disclose Protected Information only as required to perform the services outlined in this Agreement UTMB may use and disclose Protected Information for the proper management and administration of UTMB's operations and for data aggregation services to the extent permitted by the HIPAA Rules

5 3 UTMB will not use or further disclose Protected Information other than as permitted or required under this Agreement or by law

5 4 UTMB will use appropriate safeguards to prevent the use or disclosure of Protected Information for any reason other than as provided by this Agreement UTMB shall implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of any Electronic Protected Information UTMB creates, receives, maintains or transmits on behalf of CPS or The Galveston County Children's Services Board

5 5 UTMB agrees to promptly notify CPS and Board of any use or disclosure of Protected Information not provided for in this Agreement of which UTMB becomes aware UTMB shall report to CPS and Board any instances, including security incidents, of which it is aware in which Protected Information is used or disclosed for a purpose that is not otherwise provided for by this Agreement or for a purpose not expressly permitted by the HIPAA Rules

5 6 UTMB shall require any agents or subcontractors who receive Protected Information to be bound by the same restrictions and conditions outlined in this Agreement Additionally, UTMB shall ensure that any agent, including a subcontractor, agrees to implement reasonable and appropriate safeguards to protect the confidentiality, integrity, and availability of Electronic Protected Information that UTMB creates, receives, maintains, or transmits on behalf of CPS or Board

5 7 To the extent it is determined UTMB maintains a Designated Record Set, UTMB agrees to follow 45 C F R §§ 164 524 (Access of Individuals to Protected Health Information (PHI), 164 526 (Amendment of PHI), and 164 528 (Accounting of Disclosures of PHI) of the HIPAA Rules

5 8 UTMB agrees to make its internal practices, books, and records relating to the use and disclosure of PHI received from CPS or Board available to the Secretary of Health and Human Services or the Secretary's designee for the purpose of determining CPS and Board's compliance with the HIPAA Privacy Regulations

5 9 After termination of this Agreement, UTMB agrees to return or destroy all Protected Information if feasible, and, if not feasible, UTMB agrees to continue to protect the Protected Information from wrongful use and disclosure

5 10 UTMB understands that Board, on its own initiative or at the request of CPS, may terminate this Agreement immediately if CPS or Board determines UTMB violated a material term of this Agreement and UTMB's actions are not successful in remedying the breach If termination is not feasible, Board on its own initiative or at the request of CPS may report the problem to the Secretary of Health and Human Services

5 11 UTMB may use and disclose de-identified Protected Information if the use is disclosed to CPS or Board and CPS advises Board and UTMB it approves of the use of the de-identified Protected Information, and the Protected Information is de-identified in compliance with the HIPAA Rules

5 12 UTMB shall ensure that all uses and disclosures of Protected Information are subject to the principle of "minimum necessary use and disclosure,"—i e , that only Protected Information that is the minimum necessary to accomplish the intended purpose of the use or disclosure is used or disclosed

5 13 UTMB understands that Board has no way of accessing PHI save through the Texas Department of Family and Protective Services ("CPS") in an executive session as provided for in Section 264 005(g) of the Texas Family Code

The Rest of This Page Has Intentionally Been Left Blank.

EXECUTED EFFECTIVE the 1st day of October, 2012, regardless of the date of execution, in triplicate parts, each of which shall be deemed an original

THE GALVESTON COUNTY CHILDREN'S SERVICES BOARD

Jeanette C Elias
Chair, Board of Directors

Date 12/3/12

GALVESTON COUNTY

Mark Henry
County Judge

Date 12/11/12

Attest

Dwight D. Sullivan
County Clerk

THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON

William R Elger, CPA
Executive Vice President and Chief Business and Finance Officer

Date 11/20/12

Content Reviewed

C Joan Richardson, M D
Chair, UTMB Department of Pediatrics
John Sealy Distinguished Chair and Professor

Date 10/29/12

EXHIBIT A
SERVICES PROVIDED

Services to be provided by the PA/PNP to Board as an entity of CPS in Galveston County and the children of Galveston County are as follows

(a) Provide or assist with child abuse forensic medical evaluations during the five (5) half-day Child Protective Clinic times at either the UTMB ABC Center or the medical facility at the Advocacy Center for Children of Galveston County to facilitate, coordinate, and standardize the work of faculty, residents, nurses, UTMB social workers, and CPS case workers

(b) Prepare supplies and equipment, including the use of a colposcope for photographs

(c) Assure that cultures and other laboratory studies are handled correctly

(d) Assure that UTMB ABC Center child abuse protocols are filled out correctly and reporting letters are submitted in a timely fashion to the police and CPS

(e) Meet weekly with the Multidisciplinary Case Review Team of the Advocacy Center for Children of Galveston County to review cases seen at UTMB, discuss policies and procedures, and plan educational interventions

(f) Testify in court, when called, as to the presence or absence of medical findings

(g) Participate with professionals and community agencies to assure safe, timely, and complete evaluation of child abuse cases at UTMB.

(h) Assist medical personnel in the evaluation of CPS cases that are sent to UTMB during times that the UTMB ABC Center is not officially in session, when time is available in the schedule

(i) Not spend any time during the fifty-five percent (55%) paid by Board utilizing County funds on behalf of CPS seeing victims for evaluation of sexual or physical assault in cases in which CPS is not involved

(j) Send monthly reports to CPS, Board and County's Director of Community Services containing information detailing the number of children seen, type of abuse noted (physical or sexual), and type of exam each patient was given At the end of the contract year, the PA/PNP will send a final report to CPS, Board and County's Director of Community Services

<u>EXHIBIT B</u>
AVAILABILITY

For each five-day work week (Monday through Friday) devoted to CPS pursuant to this Agreement, the hours of the PA/PNP per week are to be divided as follows

(a) Five (5) half-days per week at the ABC Center operated by UTMB's Children's Hospital at The Primary Care Pavilion, conducting the following Primary Activities performing forensic medical evaluations, meeting with the Multidisciplinary Case Review Team of the Advocacy Center for Children of Galveston County, and conducting patient follow-up activities, chart reviews, phone calls, or making presentations at court

(b) Should the PA/PNP employed under this Agreement resign or be terminated, the ABC Clinic Medical Director/Faculty Physician in charge of supervising the PA/PNP will continue to provide the services described in *Exhibit A, Services Provided, Items (d)-(g)* of this Agreement, pending the recruitment of a replacement PA/PNP

In exchange, The Galveston County Children's Services Board shall continue to compensate UTMB both the Salary and Benefits Portion of FOUR THOUSAND SIX HUNDRED FORTY-FIVE DOLLARS AND EIGHTY-THREE CENTS ($4,645 83) per month and the Maintenance & Operations Portion of TWO HUNDRED EIGHT DOLLARS AND THIRTY-THREE CENTS ($208 33) per month, as provided in Section III of this Agreement

AGENDA
ITEM
#15

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department			
1 Date of Request 11/26/12	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes / No
4 Department Name Facilities Maintenance		5 Department Contact Charles Kenworthy	
6 Description Vendor provides elevator maintenance for Justice Center/ Courts Bldg. (6); and Law Enforcement Bldg. (1)			
7 IFAS PEID No 401873	8 IFAS Req No CR300265	9 Orgkey 1101170100	10 Object Code 5423701
11 Vendor Otis Elevator Company		12 Vendor Contract No CM07152	
13 Requested Legal Review Yes / No (Explain if No) No review, contract services remain same; however, billing will change from monthly to annual payment.			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
General	1101	33,567.34	33,567				
22 Totals		33,567.34	-	-	-	-	-

To Be Completed By Purchasing Department		
Contract Start Date:	Auto Renewal Contract: Yes / No	Bid No:
Contract End Date:	Contract # Issued By Purchasing:	

Approved By	Signature	Date
Department Head	[signature]	11/26/2012
Purchasing Agent		
County Legal		

Contract listed in Budget Documentation Yes / No

County Budget Office	[signature]	11/26/2012

Form Number

Revised 9/25/2012

OTIS

CONTRACT ADDENDUM

DATE 11/01/2012

TO
Galveston County Justice Center
602 59th St
Galveston, TX 77551

FROM
Otis Elevator Company
9001 Jameel Rd
Houston, TX 77040

EQUIPMENT LOCATION
GALVESTON COUNTY JUSTICE
602 59TH STREET
GALVESTON, TX 77551

Brittney Sullivan
Phone (713) 630-5119
Fax (860) 755-1856

CONTRACT NUMBER TG 04457

CONTRACT DATE:

We propose the following modification to the Contract referred to above, to take effect as of 10/01/2012

Contract will change from monthly payment to annual payment A 4% discount will be extended for this change

This proposal, when accepted by you below and approved by our authorized representative, will become binding as an addendum and modification to the Contract All other terms, conditions and obligations in the Contract referred to are to remain in full force and effect This quotation is valid for ninety (90) days from the proposal date

Submitted by Brittney Sullivan

Title Account Manager

Accepted in Duplicate

CUSTOMER
Approved by Authorized Representative

Date December 11, 2012

Signed Mark Henry

Print Name Mark Henry

Title County Judge

E-mail charles kenworthy@co galveston tx us

Otis Elevator Company
Approved by Authorized Representative

Date 1-14-13

Signed Wayne Robinson

Print Name Wayne Robinson

Title GM

Name of Company Galveston County

☐ Principal, Owner or
Authorized Representative of Principal or Owner

☐ Agent Galveston County

(Name of Principal or Owner)

CONTRACT ADDENDUM

PURCHASE ORDER
GALVESTON COUNTY
GALVESTON, TEXAS

***** VARIANCE *****

VENDOR 401873
OTIS ELEVATOR CO CORP
P O BOX 730400
DALLAS, TX 75373-0400

SHOW THESE NOs ON ALL PAPERWORK/BOXES

Purchase Order Number	C301297
Order Date	11/05/12
Requisition Number	CR300265
Requisition Date	10/03/12
Bid Number	
Contract Number	CM07152

MAIL INVOICES DIRECTLY TO:
Galveston County Auditor's Office
Attention Accounts Payable
PO Box 1418
Galveston, Texas 77553

DELIVERY ADDRESS:
DIRECTOR OF FACILITIES
722 MOODY AVE 6TH FL
GALVESTON, TX 77550

ACCOUNTS(S)
1101170100 5423701 $ 33,567.34

PAPERWORK ADDRESS:

ITEM	DESCRIPTION	QTY	UNIT(S)	UNIT PRICE	EXTENSION
001	BLANKET PURCHASE ORDER FOR ELEVATOR MAINTENANCE FOR THE GALVESTON COUNTY JUSTICE CENTER, 600 59TH ST, GALVESTON TX (6), AND THE GALVESTON COUNTY LAW ENFORCEMENR BLDG, 601 54TH ST, GALVESTON TX (1) 10/1/2012 - 9/30/2013 REPLACES C201264	1 00	EA	33,567 34	33,567 34
		GUESS_D		TOTAL	33,567 34

FAILURE TO DELIVER If the Vendor fails to deliver by the promised date, or reasonably thereafter, without giving acceptable reasons for delay, or if supplies are rejected for failure to meet specifications, the County reserves the right to purchase the specified items elsewhere and charge any increase in price and cost of handling to the Vendor No substitutions or cancellations permitted without prior approval of the Purchasing Department of Galveston County

SALES TAX EXEMPTION CERTIFICATE The undersigned claims an exemption from all sales taxes under Chapter 20, Title 122A, Revised Civil Statues of Texas for purchase of tangible personal property described in this numbered order, purchased from Vendor listed above

By Rufus Crowder
PURCHASING AGENT

THIS ORDER IS ISSUED SUBJECT TO GALVESTON COUNTY'S GENERAL TERMS AND CONDITIONS

ORIGINAL

AGENDA ITEM #16a

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 12/4/2012	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes/No
4 Department Name Information Technology		5 Department Contact JJ Allen	
6 Description		Professional services for upgrade	
7 IFAS PEID No 702547	8 IFAS Req No	9 Orgkey 1101159100	10 Object Code 5481000
11 Vendor Net Data		12 Vendor Contract No	
13 Requested Legal Review Yes/No (Explain if No)		Scope of work	

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
Contract Services	5481000	39000	10,000				
22 Totals		39,000	-	-	-	-	

To Be Completed By Purchasing Department

Contract Start Date: 12/11/12	Auto Renewal Contract: Yes/No	Bid No: N/A
Contract End Date: 01/11/13	Contract # Issued By Purchasing: CM13075	

Approved By	Signature	Date
~~Department Head~~ Admin Coor	[signature]	12-4-12
Purchasing Agent	[signature]	12 5-12
County Legal		

Contract listed in Budget Documentation Yes/No But APPROVED in CC 7-10-12

County Budget Office [signature]

Scope of Work: Galveston County IBM Server Professional Services

Date 10/01/2012

Quote $10,000 00

Re Document (IBM Power 7 Server quote pdf)

It is impossible at this point of the project to set dates in this scope of work but we can give estimates of time as it relates to each phase of this project This will give you some idea from start to finish in days Also keep in mind this schedule is in a perfect world if the schedule goes as planned There are so many factors in the scope of work that any number of things could cause delays and extend the project but we feel this is close and we will try to stay on schedule best as possible Galveston County is very far behind and we are stretching going form V5R2 all the way to V7R1 This is basically 4 major releases behind with no upgrade path It can not be done without our equipment in the mix The quote above is turnkey and includes all the processes below to complete the installation of the IBM Power 7 Server It appears we would be correct in saying this process will take a complete month from start to finish if everything goes as planned Also, considering we may not be the provider of the IBM Server we have to consider possibly more things to the scope of work than previously submitted Again, we expect this project to take 30+ days once we start the project

1 (Day 1) We will arrive in Galveston County ready to run a complete system save and pick up the IBM Server to bring both the save and Server back to our lab for installation This will require Galveston County to provide 3-4 tape cartridges ¼" It is estimated that this could take 5-6+ hours to complete These tapes will need return to our office to do the initial load
2 (Day 3) Our staff begins the process of loading from V5R2 to V5R4 of the operating system on the loaner server provided by NET Data
3 (Day 8) Complete and test load to the conversion and have our JP team check the applications
4 (Day 10) Drive the loaner Server to Galveston for installation after 5 00pm during the work week Data will be updated from the complete system save on Day 1 to current on Day 10 for existing Server We will then attach an external LTO drive to the loaner server (provided by NET Data) and do another complete system save with an estimated time of no more than 3-4 hours This will be a long day and most likely go into the early hours of the next morning
5 (Day 15) Begin the process of loading the "New" Power7 System i Server with the LTO tapes brought back from Galveston This is another risc to risc conversion from V5R4 to V7R1 This will be the permanent server and require lots of testing and updating to get to this level

6 (Day 26-28) Transport the new Sever to Galveston for installation Again another after 5 00pm night during the work week to get things moved from the loaner Server to the new Server Most of the conversion will have been done at our office and the most important of all is the data If there are any security changes during this time from Day 15-26 we will need to keep notes on so we can update (User Profiles and Passwords) If all goes well we should be able to leave Galveston County a complete system save for the vault after this day is complete
7 (Day 28) Be available in Galveston for any situation that may require our attention both on the server and end user
8 (Day 29) Travel Home

Thanks,

John Paul Roundtree

NET
JOHN PAUL ROUNDTREE
Chief Information Officer
JOHNPAUL@NETDATACORP.NET
800.465.5127 | 903.885.0818 FAX: 903.885.1604
P.O. BOX 422 SULPHUR SPRINGS, TX 75483
WWW.NETDATACORP.NET
Business Partner

AGENDA

ITEM

#16b

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 12/4/2012	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes No
4 Department Name Information Technology		5 Department Contact JJ Allen	
6 Description Renewal of McAfee Virus Protection for Servers			
7 IFAS PEID No 703308	8 IFAS Req No	9 Orgkey 1101159100	10 Object Code 5423500
11 Vendor SHI		12 Vendor Contract No	

13 Requested Legal Review
Yes No (Explain if No) No, renewal and just has standard support terms pulled off internet on the McAfee Website

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
Maintenance of Software	5423500	10,000 00	1,400 00				
22 Totals		10 000	1,400	-	-		-

To Be Completed By Purchasing Department

Contract Start Date: 10/28/12	Auto Renewal Contract: Yes No	Bid No: N/A
Contract End Date: 10/27/13	Contract # Issued By Purchasing: CM1 3076	

Approved By	Signature	Date
~~Department Head~~ Admin Coor	JJ Allen	12-4-12
Purchasing Agent	[signature]	12-5-12
County Legal		

Contract listed in Budget Documentation Yes No

County Budget Officer	[signature]	12/7/2012

Pricing Proposal
Quotation # 5893653
Created On 10/1/2012
Valid Until 12/21/2012

GALVESTON CO

Claudia Perez
722 MOODY 202
ATTN ACCOUNTS PAYABLE
GALVESTON TX 77550
United States
Phone (409) 770-6201
Fax
Email claudia perez@co galveston tx us

Inside Account Manager

Meghan Reedy
1301 South Mo-Pac Expressway
Suite 375
Austin, TX 78746
Phone 1-800-870-6079
Fax 512-732-0232
Email Meghan_Reedy@shi com

All Prices are in US Dollar (USD)

	Product	Qty	Your Price	Total
1	McAfee Gold Business Support - Technical support - phone consulting - 1 year - 24x7 - for McAfee Endpoint Protection - Advanced Suite - 1 node - GHE - Protect Plus - level J (10001+) McAfee - Part# EPAYFM-AA-JI **Note** DIR-SDD-1009 Terms 10/28/12 through 10/27/13	175	$8 00	$1,400 00
			Total	$1,400 00

Additional Comments

Good afternoon Here is the price quote you requested

Please provide end-user contact information (first name last name, and email address) for all orders Not including this information may result in a delay in order processing

Also please include SHI quote number on your PO Please contact me if you have any questions

The Products offered under this proposal are subject to the SHI Return Policy posted at <u>*www shi com/returnpolicy*</u> *unless there is an existing agreement between SHI and the Customer*

McAfee

MCAFEE® TECHNICAL SUPPORT AND MAINTENANCE TERMS AND CONDITIONS

McAfee (as defined below) will provide Technical Support services in accordance with the following terms and conditions ("Terms")

1) Definitions

a) "Authorized Partner" means any of McAfee's authorized distributors, resellers or other business partners
b) "Customer" means the entity which has purchased Products and to which McAfee provides Support
c) "Grant Letter" means a confirmation notice issued electronically by McAfee to Customer confirming Products and Support purchased by Customer, including without limitation Customer's Support Level entitlement, the Grant Number, the Support Period and download details
d) "Grant Number" means a unique number communicated by McAfee in a Grant Letter confirming a customer's Support entitlement and is required when accessing Support
e) "Hardware" means McAfee branded hardware equipment but excludes any Software or other intangible products
f) "McAfee" means (a) McAfee, Inc , a Delaware corporation, with offices located at 3965 Freedom Circle, Santa Clara, California 95054, USA if the Support is purchased in the United States, Mexico, Central America, South America, or the Caribbean, (b) McAfee Ireland Limited, with offices located at McAfee Ireland Ltd, Building 2000, City Gate, Mahon, Cork, Ireland, if the Support is purchased in Canada, Europe, the Middle East, Africa, Asia (other than Japan), or Oceania , and (c) McAfee Co , Ltd with offices located at Shibuya Mark City West Building 12-1, Dogenzaka 1-Chrome, Shibuya-ku, Tokyo 150-0043, Japan if the Support is purchased in Japan
g) "Product(s)" means McAfee's Software and Hardware product specified in a Grant Letter
h) "Support", "Technical Support" or "Technical Support and Maintenance" means the support services for McAfee Products purchased by Customer either from McAfee or from McAfee's Authorized Partner which are dependent on the Support Level purchased
i) "Software" means each McAfee software program in object code format and components licensed by McAfee or its Authorized Partners to Customer
j) "Support Period" means the effective time period for which the Customer has purchased Support that is confirmed in a Grant Letter
k) "Support Region" means any one of the following five (5) regions (i) North America, (ii) Europe, Middle East and Africa ("EMEA"), (iii) Asia Pacific ("APAC"), (iv) Japan, and (v) Latin America ("LTAM")
l) "Support Level(s)" means the McAfee Support offering purchased by Customer Software and Hardware Support Levels are defined on datasheets available at
http //www mcafee com/us/support/support-benefits aspx
m) "Upgrade" means any and all improvements in the Products which are made generally available to McAfee's customer base as a part of purchased Support and which are not separately priced or marketed by McAfee
n) "Updates" are related to content of the Product and include without limitation all DATs ("DATs" or detection definition files, also referred to as signature files, are the code anti-malware software uses to detect and repair viruses, Trojan horses and potentially unwanted programs), signature sets, policy updates, database updates for the Products which are made generally available to McAfee's customer base as a part of purchased Support and which are not separately priced or marketed by McAfee

2) Provision of Support

McAfee will provide Support to Customer during the Support Period at the Support Level that has been purchased by Customer and is confirmed to Customer in a Grant Letter Customer will not be entitled to receive Support outside of the Support Period

3) Updates and Upgrades

McAfee grants to Customer a non-exclusive, non-transferable license to use Upgrades and Updates provided by McAfee during the Support Period as a part of purchased Support Such Upgrades and Updates are subject to the terms of the license granted by McAfee to the Customer for the Software Customer shall promptly download, distribute and install all Updates as released by McAfee during the Support Period McAfee strongly suggests that Customer also downloads, distributes and installs all Upgrades as released by McAfee during the Support Period and Customer acknowledges that any failure to do so could result in Customer's inability to receive Updates and Technical Support and therefore could cause major security risks An Upgrade may require a hardware upgrade or new platform conversion to function properly

McAfee

4) Supported Versions and End of Life

The provision of Support is limited to (i) the current version and (ii) the immediately preceding version of the Product Notwithstanding any of the foregoing, Support is subject to McAfee's End-of-Life Policy available at http //www mcafee com/common/media/mcafeeb2b/support/terms/Support Policy-Product Support EOL pdf
It is Customer's responsibility to review McAfee's Product Support Lifecycle webpage at http //www mcafee com/us/enterprise/support/customer service/end life html to determine whether a Product qualifies for Support Furthermore, Customer proactive Support notifications can be accessed by subscribing to McAfee Support Notification Service (SNS) available at http //my mcafee com/content/SNS Subscription Center

5) Response Times

McAfee uses commercially reasonable efforts to meet the response times set forth in the escalation and response charters listed under http //www mcafee com/us/support/support-benefits aspx Access to McAfee's websites for the provision of Support may be suspended for brief periods due to scheduled maintenance and other factors

6) Bug Fixing and Remote Diagnostics

McAfee uses commercially reasonable efforts to provide work-around solutions or patches to reported software problems With Customers prior authorization, McAfee may perform remote diagnostics to work on reported problems In the event Customer declines remote diagnostics, McAfee and Customer may agree to on-site Support subject to an additional fee including reasonable travel and other expenses

7) Support Period and Expired Support

The Support Period either begins (i) at the date the Product was purchased or (ii) at the renewal date of the expiration of a previous Support Period In the event the Support expires, any reinstatement of Support must be purchased to cover the lapsed Support since expiration and be renewed until the Support is current Support must be purchased within one (1) year after expiration of the previous Support Period An additional out of compliance fee is required for lapsed Support

8) Support Coverage

Support is sold based upon the quantity of all Products purchased by Customer Upon purchasing Support for a Product, Customer must purchase the same Support Level for all Product units owned or licensed by Customer that are deployed or in use at the location(s) covered by Support Some Support Level(s) are available for purchase by Customer on a per-product family basis and are sold per Support Region

9) Acquired Company Products

From time to time McAfee may acquire other companies and continue to support the products licensed by such companies ("Acquired Products") The Support Level(s) defined herein may not be applicable to the Acquired Products at the time of the acquisition but McAfee may within a reasonable period of time after the acquisition provide a description of the Support Level(s) available for the Acquired Products which will become applicable once published on the Support webpage

10) Exclusions

McAfee has no obligations to, (i) provide Support where hardware, tools or software other than those supplied or approved by McAfee have been incorporated with the Product (ii) provide Support for Hardware damaged by or Hardware failures caused by Customer (iii) import or export customer data, create or modify custom business rules or reports, or support custom modifications to databases, active server pages, or other code, components or programs iv) provide Support for problems that cannot be reproduced in running the Product in a configuration meeting published McAfee specifications

11) Obligations of Customer

a) Support Process Customer must report Product problems to McAfee Support organization, and be prepared to provide McAfee with (i) the Grant Number, (ii) the location of the Product, (iii) a detailed description of the problem, (iv) a description of the hardware on which the Software is loaded, including any serial number or service tag number where applicable, and (v) the names and versions of any operating systems, networks, and software running with the Software, including patches and fixes McAfee may request that Customer takes certain actions to determine whether the problem or error is related to the Product, or other item Customer must reasonably cooperate with McAfee during this process

b) Access Customer shall provide McAfee with sufficient, free and safe access to the Products, Customer's computer systems networks and facilities in the event that it is agreed that McAfee will provide on-site support at Customer's location or facilities or that McAfee will perform remote diagnostics

c) Backup and Restore Customer must keep adequate backup copies of data, databases, and application programs and agrees that Customer is solely responsible for any and all restoration and reconstruction of lost or altered files, data and programs

McAfee

12) **Termination**

McAfee reserves the right to immediately terminate Support, without any further obligation to Customer, if Customer tampers with or modifies the Product without prior written authorization of McAfee, or otherwise uses the Products in violation of the applicable agreement or of these Support terms Any terms which by their nature extend beyond the termination remain in effect until fulfilled

13) **Hardware specific terms**

a) Region and Geographic Limitations Unless otherwise agreed in writing by McAfee or included as part of the applicable Support Level, Hardware is eligible for service only if it remains in the country where Customer originally installed the Hardware Geographic restrictions or limitations may apply to certain Hardware Support Levels and are described under http //www mcafee com/us/resources/misc/rm-dell-hw-by-country-external-1105 pdf

b) Hardware Return Prior to returning any Hardware to McAfee for repair or replacement, Customer must ensure that (i) the Hardware is free of any legal obligations or restrictions and of any Customer proprietary or confidential information that prevent McAfee from exchanging, repairing or replacing the Hardware, (ii) Customer has obtained a return authorization from McAfee, including a return material authorization number (a "RMA Number") Hardware returned to McAfee becomes the property of McAfee at the time it is received by McAfee and Customer shall assume ownership of all replacement Hardware provided by McAfee to Customer upon shipment by McAfee

c) Restrictions Customer must not, nor permit anyone else, to remove, alter, or obscure any proprietary notices or instructional labels on the Hardware without written authorization from McAfee Customer must not install, nor permit the installation of additional hardware or software on the Hardware without written authorization from McAfee or breach any tamper seal on the Hardware

d) Inspection Period McAfee reserves the right to inspect Hardware for which Support has lapsed for more than ninety (90) days by itself or by its agents in consideration of a separate fee and to request Customer to install the most current Upgrades and Updates before McAfee agrees to renew Support for the Hardware

14) **Confidentiality**

McAfee and Customer agree to hold each other's Confidential Information in confidence and not to disclose it to any third party without the prior written consent of the disclosing party "Confidential Information" means information disclosed by discloser or its affiliates, which is identified as confidential, or which can reasonably be considered confidential due to its nature, or in the circumstances surrounding disclosure Confidential Information does not include information which (i) is in the public domain, (ii) was or lawfully becomes known to the receiver, or (iii) was independently developed by the receiver The parties agree to use such Confidential Information of the disclosing party only as it relates to the performance of the party's obligations under these terms Further, the receiving party shall use the same degree of care it uses with respect to its own confidential information to prevent the unauthorized disclosure to a third party, but in no event less than reasonable care

15) **Warranty**

MCAFEE WARRANTS THAT THE SUPPORT WILL BE PERFORMED IN A PROFESSIONAL AND WORKMANLIKE MANNER FOR ANY BREACH OF THIS WARRANTY, CUSTOMER'S SOLE AND EXCLUSIVE REMEDY, AND MCAFEE'S ENTIRE LIABILITY SHALL BE THE RE-PERFORMANCE OF THE NON-CONFORMING SUPPORT MCAFEE SHALL ONLY HAVE LIABILITY FOR SUCH BREACHES OF WARRANTY IF CUSTOMER PROVIDES WRITTEN NOTICE OF THE BREACH TO MCAFEE WITHIN THIRTY (30) DAYS OF THE PERFORMANCE OF THE APPLICABLE SUPPORT THIS WARRANTY IS CUSTOMER'S EXCLUSIVE WARRANTY AND REPLACES ALL OTHER WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OR CONDITIONS OF MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT, SKILL AND CARE MCAFEE DOES NOT WARRANT OR GUARANTEE THAT SUPPORT WILL BE FREE FROM ERRORS OR DEFECTS OR THAT THE SUPPORT WILL PROTECT AGAINST ALL POSSIBLE THREATS

Some states or jurisdictions do not allow the exclusion of express or implied warranties, so the above disclaimer may not apply to you IN THAT EVENT SUCH EXPRESS OR IMPLIED WARRANTIES SHALL BE LIMITED IN DURATION TO THE MINIMUM PERIOD REQUIRED BY THE APPLICABLE LAW (IF ANY)

16) **Limitation of Liability**

UNDER NO CIRCUMSTANCES AND UNDER NO LEGAL THEORY, WHETHER IN TORT, CONTRACT OR OTHERWISE, SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, DAMAGES FOR LOSS OF PROFITS, LOSS OF GOODWILL, LOSS OF PERSONNEL SALARIES, WORK STOPPAGE, AND/OR COMPUTER FAILURE OR MALFUNCTION, AND/OR COSTS OF PROCURING SUBSTITUTE SOFTWARE OR SERVICES

Regardless of whether the claim for such damages is based in contract, tort and/or any other legal theory, in no event shall either party's aggregate liability to the other party for direct damages exceed the lesser of

a) the amount of Support fees, attributable to the Product giving rise to the claim, paid or payable by Customer for a twelve (12) month period immediately preceding the event giving rise to the claim or

b) the applicable McAfee Support List Price current at the date of the purchase or renewal attributable to the Product giving rise to such claim,

even if the other party has been advised of the possibility of such damages "List Price" shall mean for the purpose of this clause the then current annual fee as listed in McAfee s applicable list price for the Support of the Product

No provision of this Agreement shall exclude or limit in any way (i) the liability of both parties for death or personal injury caused by negligence or (ii) Customer's liability for excess usage and/or any breach of McAfee s intellectual property rights

THE LIMITATION OF LIABILITY IN THIS SECTION IS BASED ON THE FACT THAT END USERS USE THEIR COMPUTERS FOR DIFFERENT PURPOSES THEREFORE, ONLY CUSTOMER CAN IMPLEMENT BACK-UP PLANS AND SAFEGUARDS APPROPRIATE TO CUSTOMER'S NEEDS IN THE EVENT AN ERROR IN THE SOFTWARE CAUSES COMPUTER PROBLEMS AND RELATED DATA LOSSES FOR THESE BUSINESS REASONS CUSTOMER AGREES TO THE LIMITATIONS OF LIABILITY IN THIS SECTION AND ACKNOWLEDGES THAT WITHOUT CUSTOMER'S AGREEMENT TO THIS PROVISION, THE FEE CHARGED FOR THIS SOFTWARE WOULD BE HIGHER

17) **General**

a) Recording In providing Support, McAfee may record all or part of telephone calls between Customer and McAfee for quality assurance and training purposes in compliance with applicable laws

b) Assignment The provision of Support is not assignable by Customer without the prior written consent of McAfee Any attempt of assignment by Customer without such consent will be void McAfee may subcontract its obligations to provide Support hereunder to another party

c) Audit McAfee may, at its expense, upon reasonable prior written notice and during standard business hours, audit Customer with respect to Customer's compliance with these terms no more than once per year Customer understands and acknowledges that McAfee utilizes a number of methods to verify and support Product use by its customers These methods may include technological features of the Product that prevent unauthorized use and provide Product deployment verification Upon reasonable request, Customer will provide a system generated report verifying the Product deployment, such request to occur no more than two (2) times per year McAfee will not unreasonably interfere with the conduct of Customer's business

d) Export Control The Products and Support are subject to export controls under the U S Export Administration Regulations and implementing regulations and other applicable law Therefore, the Products and Services may not be exported or re-exported to entities within, or residents or citizens of, embargoed countries or countries subject to applicable trade sanctions, nor to prohibited or denied persons or entities without proper government licenses Information about such restrictions can be found at the following websites
http //www treas gov/offices/enforcement/ofac/ and
http //www bis doc gov/complianceandenforcement/liststocheck htm

e) ITAR Customer acknowledges that Support provided hereunder shall not be used for the design, development, configuration, adaption or modification of a military item listed on the United States Munitions List (USML http //www access gpo gov/nara/cfr/waisidx 05/22cfr121 05 html) which would subject Support to the International Traffic in Arms Regulations (ITAR, http //www pmddtc state gov/regulations laws/itar html)

f) Governing law These terms will be governed by and construed in accordance with the substantive laws in force (a) in the State of New York, if the Support was purchased in the United States, Mexico, Central America, South America, or the Caribbean, (b) in the Republic of Ireland, if Support was purchased in Canada, Europe, Middle East, Africa, Asia (other than Japan), or the region commonly referred to as Oceania, and (c) in Japan if Support was purchased in Japan If Support was purchased in any other country, then the substantive laws of the Republic of Ireland shall apply United States District Court for the Southern District of New York, when New York law applies, the courts of the Republic of Ireland, when the law of Ireland applies, the courts of Japan when Japanese law applies, shall each have non-exclusive jurisdiction over all disputes relating to these terms

18) **Entire Agreement**

The Terms and any additional terms referenced herein constitute the entire agreement between Customer and McAfee with regard to Support, and supersedes all prior negotiations, agreements, and understandings with respect to the subject matter hereof The Terms may not be modified except by a written addendum agreed to by McAfee and Customer

AGENDA ITEM #16c

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 12/4/2012	2 Contract Type (Expense) Revenue Other		3 Renewal Contract Yes / No
4 Department Name Information Technology		5 Department Contact John Clarke	
6 Description Additional Comcast Internet services including Microsoft Outlook Office Email other delux - 15 email boxes Web Hosting - Starter (2 Full Access) and Static IP - 1 Service Term of 36 months at a recurring monthly charge of $221 90 Also includeds equipment fee and installation fee (Equipment (D3 0 IP Gateway) Services for additional site Carehere Clinic 600 GULF FWY RM 117 La Marque TX 77568			
7 IFAS PEID No 711376	8 IFAS Req No	9 Orgkey 1101159100	10 Object Code 5492101
11 Vendor Comcast Commercial Services LLC		12 Vendor Contract No	
13 Requested Legal Review Yes / No (Explain if No) Adding additional site/services to current contract			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
Telephone Exp	5492101	$600,000	2711 8	2662 8	2662 8		
22 Totals		600 000	2 712	2 663	2,663		

To Be Completed By Purchasing Department

Contract Start Date: BID DATE 9/18/2012	Auto Renewal Contract: Yes/No	Bid No: B092035
Contract End Date: 08/29/2013	Contract # Issued By Purchasing: CM12267	

ADDED
SERVICES PROJECTED TO BE
WORKING PRIOR TO
CARE HERE MOVE IN
JAN 2013.

Approved By	Signature	Date
~~Department Head~~ Admin Coor	[signature]	12-4-12
Purchasing Agent	[signature]	12-5-12
County Legal		

Contract listed in Budget Documentation Yes/No [redacted]

County Budget Office	[signature]	12/6/2012

BUSINESS CLASS SERVICE ORDER AGREEMENT

Comcast

Account Name County of Galveston **ID#** 5718168

CUSTOMER INFORMATION (Service Location)

Address 1	600 GULF FWY	City	LA MARQUE
Address 2	RM 117	State	TX
Primary Contact Name	John Clarke	ZIP Code	77568
Business Phone	(409) 770 6200	County	
Cell Phone		Email Address	john clarke@co galveston tx us
Pager Number		Primary Fax Number	
Technical Contact Name		Tech Contact On-Site?	No
Technical Contact Business Phone		Technical Contact Email	
Property Manager Contact Name		Property Mgr Phone	

COMCAST BUSINESS CLASS SERVICES

	Selection (X)
Business Class Voice	
Business Class Internet	X
Business Class TV	

Service Term (Months)	36

COMCAST BUSINESS CLASS SERVICES DETAILS

Business Class Voice*

VOICE SELECTIONS	Quantity	Unit Cost	Total Cost
Full Feature Voice Lines			
Addl F F Voice Lines w/ pkg			
4+ Lines			
Basic Lines			
Fax Lines			
Toll Free Numbers			
Equipment Fee			

VOICE OPTIONS	Selection(X)	Total Cost
Voicemail		
Directory Listing Suppression Fee		
Auto Attendant		

Voice offers & options not available in all markets

Business Class Internet*

INTERNET SELECTIONS	Selection(X)	Total Cost
Starter		
Preferred		
Other Deluxe	X	$199 95
Equipment Fee	X	$7 00
INTERNET OPTIONS	**Selection(X)**	**Total Cost**
Microsoft Outlook Office Email	X	Included
Web Hosting Starter	X	Included
Web Hosting Business		
Web Hosting - Commerce		
Web Hosting - Professional		
Static IP 1	X	$14 95
Static IP 5		
Static IP 13		
Static IP 29		
Static IP 61		
Static IP - 125		
Static IP - 253		
IPV6		
Xfinity Wifi		

Internet selections & options not available in all markets

Business Class Packages

Package Name
PACKAGE DESCRIPTION

Business Class TV*

TV SELECTIONS	Selection(X)	Total Cost
Basic		
Information & Entertainment		
Standard		
Preferred		
Music Choice Standalone		
TV OPTIONS	**Selection**	**Total Cost**
Sports Pack**		
Music Choice W/Business Class		
Canales Selecto		
Other Programming		
Other Programming		
Other Programming		

TV OUTLETS	Quantity	Unit Cost	Total Cost
Additional Outlets			
HD Outlet Charges			

mini mDTA/mDTA Type	# of Outlets	NRC	MRC

Not available in home offices or private view establishments TV selections & options not available in all markets Customer acknowledges and understands Customer may be responsible for additional music licensing or copyright fees for music contained in any or all of the Services including but not limited to Video and/or Public View Video

* Available for Information & Entertainment Standard & Preferred TV offers only

COMCAST BUSINESS CLASS TOTAL SERVICE CHARGES

Business Class	Selection(X)	Unit Cost	Total Cost
Installation Fee	X	$49.00	$49 00
Voice Activation Fee*			
Auto Attendant Setup Fee			
Voice Jack Fee			
Toll Free Activation Fee			

Per line activation fee up to four (4) line maximum charge

Total Installation Charges * $49 00

Does not include Custom Installation Fees referenced below

Total Monthly Service Charge	$221 90

Promotional Code (if applicable)
Less Discount (if applicable) $0 00

Total Recurring Monthly Bill * $221 90

Applicable federal state and local taxes and fees may apply

GENERAL SPECIAL INSTRUCTIONS

BUSINESS CLASS SERVICE ORDER AGREEMENT

Account Name **County of Galveston** ID# **5718168**

COMCAST BUSINESS CLASS INTERNET CONFIGURATION DETAILS

Microsoft Office Communication Services

Microsoft Office Outlook Email Included with Internet Service	
Business Class Internet Starter	2 Full Access
Business Class Internet Preferred	4 Full Access
Other Deluxe	15 Email boxes

Equipment Selection	D3 0 IP Gateway
Business Class Web Hosting	No
Transfer Existing Comcast net Email	No
Number of Static IPs*	1

If 5 or more Static IPs are requested a STATIC IP JUSTIFICATION FORM i required

COMCAST BUSINESS CLASS TV CONFIGURATION DETAILS

Outlet Details	Location	Outlet Type
Outlet 1 Primary		
Outlet 2 Additional		
Outlet 3 Additional		
Outlet 4 Additional		
Outlet 5 Additional		
Outlet 6 Additional		
Outlet 7 - Additional		
Outlet 8 - Additional		

Additional Comments

OUTLETS 9 & UP	QUANTITY
Analog	
Digital	
HDTV	
DTA	

COMCAST BUSINESS CLASS VOICE CONFIGURATION DETAILS

Phone #	Type	Voicemail

Customer Equipment

Phone System Type (Key System PBX Other)	
Phone System Manufacturer	
Fax Machine Manufacturer	
Alarm System Vendor	
Point of Sale Device	
Telco Closet Location	

Hunt Group Configuration Details

Hunt Group Features Requested (Yes/No)	
Hunt Group Configuration Type	
Hunt Group Pilot Number	

Toll Free #	Calling Origination Area	Associated TN

Directory Listing Details

Directory (Published Non-Published Unlisted)	
Directory Listing Phone Number	
Directory Listing Display Name	
DA/DL Header Text Information	
DA/DL Header Code Information	
Standard Industry Code Information	

Additional Voice Details

Caller ID (Yes/No)	
Caller ID Display Name (max 15 char)	
Call Blocking (Yes/No)	
Auto Attendant (Yes/No)	No

Comcast **BUSINESS CLASS SERVICE ORDER AGREEMENT**

Account Name County of Galveston **ID#** 5718168

CUSTOMER BILLING INFORMATION

Billing Account Name	County of Galveston	City	Galveston
Billing Name (3rd Party Accounts)		State	TX
Address 1	722 Moody 2nd Floor	ZIP Code	77550
Address 2		Billing Contact Email	john clarke@co galveston tx us
Billing Contact Name	John Clarke	Billing Contact Phone	(409) 770-6200
Tax Exempt?*	~~No~~ YES	Billing Fax Number	

* If yes, please provide and attach tax exemption certificate

AGREEMENT

1 This Comcast Business Class Service Order Agreement sets forth the terms and conditions under which Comcast Cable Communications Management, LLC and its operating affiliates ("Comcast") will provide the Services to Customer This Comcast Business Class Service Order Agreement consists of this document ("SOA"), the standard Comcast Business Class Terms and Conditions ("Terms and Conditions") and any jointly executed amendments ("Amendments") collectively referred to as the "Agreement" In the event of inconsistency among these documents, precedence will be as follows (1) Amendments, (2) Terms and Conditions, and (3) this SOA This Agreement shall commence and become a legally binding agreement upon Customer's execution of the SOA The Agreement shall terminate as set forth in the Terms and Conditions (http //business comcast com/terms-conditions/index aspx) All capitalized terms not defined in this SOA shall reflect the definitions given to them in the Terms and Conditions Use of the Services is also subject to the then current High-Speed Internet for Business Acceptable Use Policy located at http //business comcast com/terms-conditions/index aspx (or any successor URL), and the then current High -Speed Internet for Business Privacy Policy located at http //business comcast com/terms-conditions/index aspx (or any successor URL), both of which Comcast may update from time to time

2 Each Comcast Business Class Service ("Service") carries a 30 day money back guarantee If within the first thirty days following Service activation Customer is not completely satisfied, Customer may cancel Service and Comcast will issue a refund for Service charges actually paid by Customer, custom installation, voice usage charges, and optional service fees excluded In order to be eligible for the refund, Customer must cancel Service within thirty days of activation and return any Comcast-provided equipment in good working order In no event shall the refund exceed $500 00

3 IF CUSTOMER IS SUBSCRIBING TO COMCAST'S BUSINESS CLASS VOICE SERVICE, I ACKNOWLEDGE RECEIPT AND UNDERSTANDING OF THE E911 NOTICE

E911 NOTICE

Comcast Business Class Voice service ("Voice") may have the E911 limitations specified below

- In order for 911 calls to be properly directed to emergency services using Voice, Comcast must have the correct service address for the Voice Customer If Voice is moved to a different location without Comcast's approval, 911 calls may be directed to the wrong emergency authority, may transmit the wrong address and/or Voice (including 911) may fail altogether

- Voice uses electrical power in the Customer's premises If there is an electrical power outage, 911 calling may be interrupted if the battery back-up in the associated multimedia terminal adapter is not installed fails, or is exhausted after several hours

- Voice calls, including calls to 911, may not be completed if there is a problem with network facilities, including network congestion, network/equipment/power failure, or another technical problem

- Comcast will need several business days to update a Customer service address in the E911 system All change requests and questions should be directed to 1-800-391-3000 USE OF VOICE AFTER DELIVERY OF THIS DOCUMENT CONSTITUTES CUSTOMER ACKNOWLEDGEMENT OF THE E911 NOTICE ABOVE

4 To complete a Voice order, Customer must execute a Comcast Letter or Authorization ("LOA") and submit it to Comcast or Comcast's third party order entry integrator, as directed by Comcast

5 New telephone numbers are subject to change prior to the install Customers should not print their new number on stationery or cards until after the install is complete

6 Modifications All modifications to the Agreement if any, must be captured in a written Amendment executed by an authorized Comcast Senior Vice President and the Customer All other attempts to modify the Agreement shall be void and non-binding on Comcast Customer by signing below agrees and accepts the Terms and Conditions of this Agreement

CUSTOMER SIGNATURE

By signing below Customer agrees and accepts the Terms and Conditions of this Agreement General Terms and Conditions can be found at http //business comcast com/terms conditions/index aspx

Signature	Mark Henry
Print	Mark Henry
Title	County Judge
Date	December 11, 2012

FOR COMCAST USE ONLY

Sales Representative	Manuel Frias
Sales Representative Code	86128
Sales Manager/Director	Wesley Martin
Sales Manager/Director	
Division	West
Lead ID	5718168

AGENDA ITEM #16d

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 12/4/2012	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes / No
4 Department Name Infotmation Technology		5 Department Contact JJ Allen	
6 Description One Solution and IFAS annual maintenance			
7 IFAS PEID No 707408	8 IFAS Req No	9 Orgkey 1101159100	10 Object Code 5423500
11 Vendor Sungard Public Sector		12 Vendor Contract No	
13 Requested Legal Review Yes / No (Explain if No) No It's an annual renewal			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
Software Maintenance	5423500	150 000 00	103 123 13				
22 Totals		150 000	103 123	-	-	-	-

To Be Completed By Purchasing Department

Contract Start Date. 11/1/12	Auto Renewal Contract: Yes / No	Bid No: N/A
Contract End Date: 10/31/13	Contract # Issued By Purchasing: CM 13077	

Replacing CM12031 (Price CHANGE)

Approved By	Signature	Date
~~Department Head~~ admin Coor		12/4/12
Purchasing Agent		12-5-12
County Legal		

Contract listed in Budget Documentation Yes / No

County Budget Office		12-5-12

SUNGARD® PUBLIC SECTOR

November 14, 2012

JJ Allen
Galveston County
722 Moody Avenue 2nd Floor
Galveston, TX 77550

Dear Ms. Allen:

This letter is to confirm the upcoming renewal of the annual Maintenance and Support Services for certain software applications under the terms of your existing Agreement(s) for such services

The Agreement Term shall be extended and pricing shall be as provided under the following invoices which are included with this letter

- SunGard Public Sector Invoice Document Number 56474 dated September 28, 2012.
- ~~SunGard Public Sector Invoice Document Number 55174 dated August 31, 2012.~~
- ~~SunGard Public Sector Invoice Document Number 56380 dated September 28, 2012.~~

Fees for the renewal Term of Maintenance and Support Services shall be due prior to the start of that term (payment terms are net 30 days).

Please sign below, acknowledging your intent to renew the annual Maintenance and Support Services as provided within this letter. If you have any questions or if I can be of any assistance please do not hesitate to contact me at 407-304-3158 or email me at george.sereikas@sungardps.com.

Sincerely,

SUNGARD PUBLIC SECTOR INC

By George Sereikas
Manager, Contracts Services

ACKNOWLEDGED:

Galveston County, TX

By ____________

Name/Title: **Mark Henry, County Judge**

Date **December 11, 2012**

SUNGARD® PUBLIC SECTOR

1000 Business Center Dnve
Lake Mary, FL 32746
800-727-8088
www sungardps com

Invoice

Company	Document No	Date	Page
LG	56474	28/Sep/2012	1 of 3

Bill To
Galveston County Auditor's Office
PO Box 1418
GALVESTON, TX 77553
United States
Attn Accounts Payable

Ship To
Galveston County (COGALV)
722 Moody Ave 2nd Flr
GALVESTON, TX 77550
United States
Attn Information Technology

Customer Grp/No	Customer Name	Customer PO Number	Currency	Terms	Due Date
1 5919LG	Galveston County (COGALV)		USD	NET30	28/Oct/2012

No	SKU Code/Description/Comments	Units	Rate	Extended
	Contract No COGALV-1			
1	OS - General Ledger Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
2	OS - Nucleus Maintenance Start 01/Nov/2012 End 31/Oct/2013	1 00	0 00	0 00
3	OS - Accounts Payable/Encumbrances Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
4	OS - Accounts Receivable/Cash Receipts Maintenance Start 01/Nov/2012 End 31/Oct/2013	1 00	0 00	0 00
5	OS - Check Management Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
6	OS - Person/Entity Database Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
7	OS - Fixed Assets Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
8	OS - Work Order Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
9	OS - Job Project Ledger Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
10	OS - Budget Item Detail Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
11	OS - Purchasing Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
12	OS - Stores Inventory Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
13	OS - Bid Management Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
14	OS Grant Management Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00

Page Total 0 00

SUNGARD® PUBLIC SECTOR
1000 Business Center Drive
Lake Mary, FL 32746
800-727-8088
www sungardps com

Invoice

Company	Document No	Date	Page
LG	56474	28/Sep/2012	2 of 3

Bill To Galveston County Auditor's Office
PO Box 1418
GALVESTON, TX 77553
United States
Attn Accounts Payable

Ship To Galveston County (COGALV)
722 Moody Ave 2nd Flr
GALVESTON, TX 77550
United States
Attn Information Technology

Customer Grp/No	Customer Name	Customer PO Number	Currency	Terms	Due Date
1 5919LG	Galveston County (COGALV)		USD	NET30	28/Oct/2012

No	SKU Code/Description/Comments	Units	Rate	Extended
15	OS - Payroll Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
16	OS - Human Resources Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
17	OS - Position Budgeting Maintenance Start 01/Nov/2012 End 31/Oct/2013	1 00	0 00	0 00
18	OS - Contract Management Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
19	OS - AdHoc Report Writer Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
20	OS - Easy Laser Forms Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
21	OS - Image Enabler Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
22	OS - Click, Drag, & Drill (Report Writer) Maintenance Start 01/Nov/2012 End 31/Oct/2013	1 00	0 00	0 00
23	OS - Insight Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
24	OS - 7i Maintenance Start 01/Nov/2012 End 31/Oct/2013	1 00	0 00	0 00
25	OS - Documents On Line Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
26	OS - Click, Drag, & Drill (Report Writer) Maintenance Start 01/Nov/2012 End 31/Oct/2013	1 00	0 00	0 00
27	OS - Hassle Free Support Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	0 00	0 00
28	OS Open Link Maintenance Start 01/Nov/2012, End 31/Oct/2013	1 00	4,741 46	4 741 46
29	OS Support	1 00	98,381 67	98,381 67

SUNGARD® PUBLIC SECTOR

1000 Business Center Drive
Lake Mary, FL 32746
800-727-8088
www sungardps com

Invoice

Company	Document No	Date	Page
LG	56474	28/Sep/2012	3 of 3

Bill To Galveston County Auditor's Office
PO Box 1418
GALVESTON, TX 77553
United States
Attn Accounts Payable

Ship To Galveston County (COGALV)
722 Moody Ave 2nd Flr
GALVESTON, TX 77550
United States
Attn Information Technology

Customer Grp/No		Customer Name	Customer PO Number	Currency	Terms	Due Date
1	5919LG	Galveston County (COGALV)		USD	NET30	28/Oct/2012

No	SKU Code/Description/Comments	Units	Rate	Extended
	Maintenance Start 01/Nov/2012, End 31/Oct/2013			

Page Total 0 00

Remit Payment To SunGard Public Sector Inc
Bank of America
12709 Collection Center Drive
Chicago IL 60693

Subtotal	103,123 13
Sales Tax	0 00
Invoice Total	103,123 13
Payment Received	0 00
Balance Due	103 123 13

PSA Reference Number

AGENDA
ITEM
#17

2012067748

4 PGS

PUBLIC OFFICIAL BOND
(Definite Term)

Travelers Casualty and Surety Company of America

Bond No 105867564

KNOW ALL MEN BY THESE PRESENTS, That we JOHN D KINARD of 600 59TH ST ROOM 4001,GALVESTON, TX 77551 as Principal and Travelers Casualty and Surety Company of America a corporation duly incorporated under the laws of the State of Connecticut as Surety are held and firmly bound unto Governor of the State of Texas as Obligee in the penal sum of One Hundred Thousand ($100,000 00) Dollars, lawful money of the United States of America for the payment of which well and truly to be made said Principal binds himself/herself his/her heirs executors administrators and assigns and said Surety binds itself its successors and assigns jointly and severally firmly by these presents

WHEREAS the said Principal has been Elected to the office of District Clerk for a definite term beginning December 6, 2012 and ending December 5, 2014 and is required to furnish a bond for the faithful performance of the duties of the said office or position

NOW THEREFORE THE CONDITION OF THIS OBLIGATION is such that if the above bounden Principal shall (except as hereinafter provided) faithfully perform the duties of his/her said office or position during the said term and shall pay over to the persons authorized by law to receive the same all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in case of his/her resignation or removal from office shall turn over to his/her successor all records and property which have come into his/her hands then this obligation to be null and void otherwise to remain in full force and effect

PROVIDED HOWEVER that the above named Surety shall not be liable hereunder for any loss of any public fund resulting from the insolvency of any bank or banks in which said funds are deposited and, if this provision shall be held void this entire bond shall be void

AND PROVIDED FURTHER that the Surety may cancel bond at any time during the said term by giving to the obligee a written notice of its desire so to cancel and at the expiration of thirty (30) days from the receipt of such notice by the obligee the surety shall be completely released as to all liability thereafter accruing If this provision shall be held void this entire bond shall be void

SEALED and dated this December 3, 2012

Sheila Bagley

Witness By

JOHN D KINARD

John D Kinard

Principal

Travelers Casualty and Surety Company of America

By Kelly Mayfield

Kelly Mayfield Attorney in Fact

S-2232 (06-08)

WARNING THIS POWER OF ATTORNEY IS INVALID WITHOUT THE RED BORDER

TRAVELERS

POWER OF ATTORNEY

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc
St Paul Fire and Marine Insurance Company
St Paul Guardian Insurance Company
St Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company

Attorney-In Fact No 223747

Certificate No 004393730

KNOW ALL MEN BY THESE PRESENTS That St Paul Fire and Marine Insurance Company St Paul Guardian Insurance Company and St Paul Mercury Insurance Company are corporations duly organized under the laws of the State of Minnesota that Farmington Casualty Company, Travelers Casualty and Surety Company and Travelers Casualty and Surety Company of America are corporations duly organized under the laws of the State of Connecticut that United States Fidelity and Guaranty Company is a corporation duly organized under the laws of the State of Maryland, that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Iowa and that Fidelity and Guaranty Insurance Underwriters Inc is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called the 'Companies') and that the Companies do hereby make constitute and appoint

Lisa Busker, Robert Gavos, Brian Martin, Carrie Brooks, Robert J Russo, Dora Lee, Cheryl M Toler, Richard W Sauer, Michelle P Alvarado, William Fitzpatrick, Ryan Varela, Betty Johnson, Elizabeth Gonzales, Namesia Anderson, Dana Yarbrough, Wesley Raska, Christine Stewart, Chad Williamson Don Weidenfeller Gena Kastner, and Kelly Mayfield

of the City of Houston State of Texas their true and lawful Attorney(s)-in-Fact each in their separate capacity if more than one is named above, to sign, execute seal and acknowledge any and all bonds, recognizances conditional undertakings and other writings obligatory in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law

IN WITNESS WHEREOF the Companies have caused this instrument to be signed and their corporate seals to be hereto affixed this 1st day of July 2011

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc
St Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company

State of Connecticut
City of Hartford ss

By [signature]
George W Thompson Senior Vice President

On this the 1st day of July 2011 before me personally appeared George W Thompson who acknowledged himself to be the Senior Vice President of Farmington Casualty Company, Fidelity and Guaranty Insurance Company Fidelity and Guaranty Insurance Underwriters Inc St Paul Fire and Marine Insurance Company St Paul Guardian Insurance Company St Paul Mercury Insurance Company Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company and that he as such being authorized so to do executed the foregoing instrument for the purposes therein contained by signing on behalf of the corporations by himself as a duly authorized officer

In Witness Whereof, I hereunto set my hand and official seal
My Commission expires the 30th day of June 2016

Marie C. Tetreault
Marie C Tetreault Notary Public

58440-6-11 Printed in U S A

WARNING THIS POWER OF ATTORNEY IS INVALID WITHOUT THE RED BORDER

This Power of Attorney is granted under and by the authority of the following resolutions adopted by the Boards of Directors of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters Inc St Paul Fire and Marine Insurance Company St Paul Guardian Insurance Company, St Paul Mercury Insurance Company Travelers Casualty and Surety Company Travelers Casualty and Surety Company of America and United States Fidelity and Guaranty Company which resolutions are now in full force and effect reading as follows

RESOLVED, that the Chairman, the President any Vice Chairman, any Executive Vice President any Senior Vice President any Vice President, any Second Vice President, the Treasurer any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the Company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company s name and seal with the Company s seal bonds, recognizances contracts of indemnity, and other writings obligatory in the nature of a bond recognizance or conditional undertaking and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her and it is

FURTHER RESOLVED, that the Chairman the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary, and it is

FURTHER RESOLVED, that any bond, recognizance, contract of indemnity or writing obligatory in the nature of a bond recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President the Treasurer any Assistant Treasurer the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company s seal by a Secretary or Assistant Secretary or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority, and it is

FURTHER RESOLVED, that the signature of each of the following officers President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding on the Company in the future with respect to any bond or understanding to which it is attached

I, Kevin E Hughes, the undersigned Assistant Secretary, of Farmington Casualty Company, Fidelity and Guaranty Insurance Company Fidelity and Guaranty Insurance Underwriters, Inc , St Paul Fire and Marine Insurance Company, St Paul Guardian Insurance Company St Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies which is in full force and effect and has not been revoked

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seals of said Companies this 3rd day of December 20 12

Kevin E Hughes

Kevin E Hughes, Assistant Secretary

To verify the authenticity of this Power of Attorney, call 1-800-421-3880 or contact us at www travelersbond com Please refer to the Attorney-In-Fact number, the above-named individuals and the details of the bond to which the power is attached

STATE OF TEXAS
COUNTY OF GALVESTON

The foregoing bond of John D Kinard as District Clerk in and for Galveston County, State of Texas, approved December 11, 2012, in open Commissioners' Court

Mark Henry, County Judge

ATTEST:

Dwight D Sullivan, County Clerk
Galveston County, Texas
by Brandy Chapman, Chief Deputy

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

2012067748

December 11, 2012 12 43 21

FEE $0 00

Dwight D Sullivan, County Clerk

Galveston County, TEXAS

2 PGS 2012067749

PLEASE TYPE OR PRINT LEGIBLY
PROVIDE ALL REQUESTED INFORMATION

STATEMENT OF ELECTED/APPOINTED OFFICER

(Pursuant to Tex Const art XVI §1(b) amended 2001)

I, John D. Kinard, do solemnly swear (or affirm), that I have not directly or indirectly paid, offered, promised to pay, contributed, or promised to contribute any money or thing of value, or promised any public office or employment for the giving or withholding of a vote at the election at which I was elected or as a reward to secure my appointment or confirmation, whichever the case may be, so help me God

UNDER PENALTIES OF PERJURY, I DECLARE THAT I HAVE READ THE FOREGOING STATEMENT AND THAT THE FACTS STATED THEREIN ARE TRUE.

12/11/2012 — Date

[signature] — Officer's Signature

District Clerk — Position to Which Elected/Appointed

Galveston County, Texas — City and/or County

Sworn to and subscribed before me by affiant on this 11th day of December, 2012.

Lonnie Cox
Signature of Person Administering Oath

Lonnie Cox, Judge 56th D.C.
Printed Name and Title

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

2012067749

December 11, 2012 12 43 21

FEE. $0 00

Dwight D Sullivan, County Clerk

Galveston County, TEXAS

2012067750

2 PGS

In the name and by the authority of

The State of Texas

OATH OF OFFICE

I, John D. Kinard, do solemnly swear (or affirm), that I will faithfully execute the duties of the office of District Clerk of Galveston County, Texas of the State of Texas, and will to the best of my ability preserve, protect, and defend the Constitution and laws of the United States and of this State, so help me God.

John D. Kinard

Affiant

SWORN TO and subscribed before me by affiant on this 11th day of December, 2012.

Lonnie Cox

Signature of Person Administering Oath

Lonnie Cox

Printed Name

Judge, 56th District Court

Title

DISTRICT COURT ★ OF GALVESTON COUNTY, TEXAS ★

Form #2204

See Reverse Side for Instructions

Revised August 1999

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

2012067750

December 11, 2012 12 43 21

FEE $0 00

Dwight D Sullivan, County Clerk

Galveston County, TEXAS

AGENDA
ITEM
#18

ee

Cheryl E. Johnson, RTA

Assessor and Collector of Taxes
Galveston County
Galveston County Courthouse
722 Moody Avenue, Galveston, Texas 77550
Toll Free 877-766-2284 Fax 409-766-2479 Office 409-765-3277
Cheryl E Johnson@co galveston tx us

November 26, 2012

The Honorable Mark Henry
Galveston County Judge
722 Moody Street
Galveston, Texas 77550

Re Tax Refunds in Excess of $2,500 00

Dear Judge Henry

In accordance with Section 31 11 (a) of the Texas Property Tax Code, I hereby request approval of the following refund (s)

Account Number	Amount	Reason
1511-0001-0046-000	$6,943 20	Supplemental Adjustment
2958-0002-0009-000	$2,804 94	Supplemental Adjustment
5862-0001-0021-000	$6,970 57	Supplemental Adjustment
6511-0000-0026-000	$2,700 03	Supplemental Adjustment
6670-0000-0100-000	$2,765 88	Supplemental Adjustment
7377-0000-0004-000	$3,770 09	Supplemental Adjustment

Sincerely,

Cheryl E. Johnson

Cheryl E Johnson

2011 Supp#9

Refunds over $2500

1511-0001-0046-000	Nelson Luther & Suk Cha	$6,943 20
2958-0002-0009-000	Adams James W. & Pamela	$2,804.94
5862-0001-0021-000	Vanderburg John Q.	$6,970.57
6511-0000-0026-000	Poffenbarger Phillip & Joan	$2,700.03
6670-0000-0100-000	Watson Ernest Sr & Carolyn	$2,765.88
7377-0000-0004-000	Wycoff John & Melinda	$3,770 09

Al

Cheryl E. Johnson, RTA

Assessor and Collector of Taxes
Galveston County
Galveston County Courthouse
722 Moody Avenue, Galveston, Texas 77550
Toll Free 877-766-2284 Fax 409-766-2479 Office 409-765-3277
Cheryl E Johnson@co galveston tx us

December 1, 2012

Mark Henry
County Judge
722 Moody Street
Galveston, Texas 77550

Re Tax Refunds in Excess of $2,500 00

Dear Judge Henry

In accordance with Section 31 11 (a) of the Texas Property Tax Code, I hereby request approval of the following refund (s)

Account Number	Amount	Reason
2996-0000-0613-000	$ 8,306 62	Over Payment

Sincerely,

Cheryl E Johnson

Cheryl E Johnson, RTA

Refunds in Excess of $2,500.00

Account Number	Amount	Reason
2996-0000-0613-000	$ 8,306.62	Over Payment

E(

Cheryl E. Johnson, RTA

Assessor and Collector of Taxes
Galveston County
Galveston County Courthouse
722 Moody Avenue, Galveston, Texas 77550
Toll Free 877-766-2284 Fax 409-766-2479 Office 409-765-3277
Cheryl E Johnson@co galveston tx us

December 3, 2012

The Honorable Mark Henry
Galveston County Judge
722 Moody Street
Galveston, Texas 77550

Re Tax Refunds in Excess of $2,500 00

Dear Judge Henry

In accordance with Section 31 11 (a) of the Texas Property Tax Code, I hereby request approval of the following refund (s).

Account Number	Amount	Reason
0088-0016-0000-000	$2,950.01	Supplemental Adjustment
4207-0000-0072-000	$23,978 42	Supplemental Adjustment

Sincerely,

Cheryl E Johnson

Cheryl E Johnson

2012 SUPP#3

Refunds over $2500

0088-0016-0000-000	Joseph & Gay Teare Jr.	$2,950.01
4207-0000-0072-000	Edgar & Gayolyn Griffin	$23,978 42

AGENDA
ITEM
#19a

RESOLUTION OF DECEMBER 11, 2012:
AMENDING TAX ABATEMENT GUIDELINES AND CRITERIA PREVIOUSLY ADOPTED BY RESOLUTION OF THE COMMISSIONERS COURT OF GALVESTON COUNTY, TEXAS ON AUGUST 23, 2011

State of Texas §
§
County of Galveston §

On this, the 11th day of December, 2012, the Commissioners' Court of Galveston County, Texas convened in a **Regularly Scheduled** meeting with the following members present

Mark Henry, County Judge,
Patrick F. Doyle, Commissioner, Precinct No 1, **absent**
Kevin O'Brien, Commissioner, Precinct No 2,
Stephen D. Holmes, Commissioner, Precinct No 3,
Kenneth Clark, Commissioner, Precinct No 4, and
Dwight D. Sullivan, County Clerk

when the following proceedings, among others, were had, to-wit

Whereas, Galveston County strives to be an attractive location for economic development and enrichment for current and future residents,

Whereas, new jobs and investment will benefit the area economy, provide needed opportunities, strengthen the real estate market, and generate tax revenue to support local services,

Whereas, the creation and retention of job opportunities that brings new wealth is of the highest civic priority,

Whereas, the County of Galveston must compete with other localities across the nation currently offering tax inducements to attract new businesses, industries, and modernization projects,

Whereas, any tax incentives offered in Galveston County would reduce needed tax revenue unless strictly limited in application to those new and existing industries that bring new wealth to the community,

Whereas, the abatement of property taxes, when offered to attract new jobs created by additional industrial and business investments, will enhance the local economy and provide a base to encourage improved diversification in the County of Galveston,

Whereas, in accordance with Tex Tax Code § 312 002, the Commissioners' Court of Galveston County, on August 23, 2011, established guidelines and criteria governing tax abatement agreements by Galveston County and elected to become eligible to participate in tax abatement,

Whereas, in accordance with the Property Redevelopment and Tax Abatement Act (Act), codified as Chapter 312 of the Texas Tax Code, guidelines and criteria governing tax abatement agreements by Galveston County shall be effective for two years from the date adopted and may only be amended or repealed in the interim by a vote of three-fourths of the members of the Commissioners' Court,

Whereas, the adoption of guidelines and criteria governing tax abatement agreements does not limit the discretion of the Commissioners' Court to decide whether to enter into a specific tax abatement agreement,

Whereas, the adoption of guidelines and criteria governing tax abatement agreements does not limit the discretion of the Commissioners' Court to delegate to Galveston County employees the authority to determine whether or not the Commissioners' Court should consider a particular application or request for tax abatement,

Whereas, the adoption of guidelines and criteria governing tax abatement agreements does not create any property, contract, or other legal right in any person to have the Commissioners' Court consider or grant a specific application or request for tax abatement,

Whereas, Galveston County wishes to remain eligible to participate in tax abatement,

Whereas, Galveston County wishes to **AMEND** the Guidelines and Criteria Governing Tax Abatement Agreements that was adopted by Resolution of the Commissioners' Court on August 23, 2011, and

Whereas, the Director of the Galveston County Community Services Department has prepared the "Guidelines and Criteria Governing Tax Abatement Agreements by Galveston County, Texas as Amended by Order of the Commissioners Court on December 11, 2012" which is attached hereto as Exhibit No 1

Now, Therefore, it is hereby RESOLVED, by the Commissioners' Court of Galveston County, Texas, that the Guidelines and Criteria Governing Tax Abatement Agreements that was adopted on August 23, 2011 is hereby **AMENDED**, effective immediately, and

Be it FURTHER RESOLVED, that the "Guidelines and Criteria Governing Tax Abatement Agreements by Galveston County, Texas as Amended by Resolution of the Commissioners Court on December 11, 2012," attached hereto as Exhibit No 1, is hereby incorporated herein for all purposes and is hereby **APPROVED** and **ADOPTED**

Upon Motion Duly Made and Seconded, the above Resolution is hereby **ADOPTED**, on this, the 11th day of December, 2012

COUNTY OF GALVESTON, TEXAS, By:

Mark Henry, County Judge

Kevin O'Brien,
Commissioner, Precinct No 2

Kenneth Clark,
Commissioner, Precinct No 4

absent
Patrick F Doyle,
Commissioner, Precinct No 1

Stephen D Holmes,
Commissioner, Precinct No 3

ATTEST:

Dwight D Sullivan,
County Clerk of Galveston County, Texas

Guidelines and Criteria Governing Tax Abatement Agreements by Galveston County, Texas, as Amended on December 11, 2012

Adopted by Resolution of the Commissioners' Court of Galveston County, Texas on August 23, 2011 and Amended by Resolution of the Commissioners' Court of Galveston County on December 11, 2012

Galveston County Tax Abatement Guidelines and Criteria
2011-2013, as Amended by Order of the Commissioners' Court on December 11, 2012
(Guidelines and Criteria as Amended)

1. **<u>Introduction</u>** These Guidelines and Criteria Governing Tax Abatement Agreements by Galveston County, Texas, as Amended, support the County's priority of utilizing planning and implementing policies and incentives to attract, retain, and expand industries, increase employment and wages, expand the tax base, and create new wealth opportunities in the community. Planning and implementing policies and incentives are critical goals towards achieving the growth, sustainability, and diversity of a regional economy. The abatement of property taxes takes into consideration various project criteria when determining whether to grant abatement and the amount to be abated. Galveston County is authorized to abate property taxes in accordance with the Property Redevelopment and Tax Abatement Act. This same statute requires the County to develop and review its guidelines at least every two years for the eligibility and award of tax abatement. These guidelines have been reviewed to help ensure that any abatement of property taxes achieves the County's economic development goals. The Galveston County Commissioners' Court remains committed to fully evaluating the merits and benefits of each application for tax abatement and retains full discretion on whether or not and to what extent to grant the abatement of ad valorem taxes for any given project.

2. **<u>Resolution/Authority</u>** These Guidelines and Criteria Governing Tax Abatement Agreements by Galveston County, Texas as Amended (Guidelines and Criteria as Amended) are attached to and made a part of the Resolution of the Galveston County Commissioners' Court on December 11, 2012 Amending the Guidelines and Criteria. The Commissioners' Court is authorized to adopt and amend guidelines and criteria governing tax abatement agreements in accordance with the Property Redevelopment and Tax Abatement Act, which is codified as Chapter 312 of the Texas Tax Code. In accordance with requirements of the Property Redevelopment and Tax Abatement Act, the Commissioners' Court, by resolution, has elected to become eligible to participate in tax abatement and to that end has adopted guidelines and criteria governing tax abatement agreements and amended the guidelines and criteria.

3. **<u>Effective Period – Sunset Provision</u>** These Guidelines and Criteria as Amended are and shall be effective on December 11, 2012 through August 22, 2013, unless repealed or further amended during the interim period by action of the Commissioners' Court of Galveston County, Texas.

4. **<u>Amendment or Repeal (super-majority required)</u>** Pursuant to Tex Tax Code § 312 002(c), these Guidelines and Criteria as Amended may be further amended or repealed only by a vote of, at minimum, three-fourths of the members of the governing body of Galveston County Thus, any repeal or amendment to these Guidelines and Criteria as Amended shall require a vote of no less than four (4) members of the Commissioners' Court (a "super-majority")

5. **<u>No property right created/discretion retained</u>.** The adoption of these Guidelines and Criteria as Amended do not limit the discretion of the County to decide whether to enter into a specific tax abatement agreement, do not limit the discretion of the County to delegate to its employee(s) the authority to determine whether or not the County should consider a particular application or request for tax abatement, and do not create any property, contract, or other legal rights in any person to have the County consider or grant a specific application or request for tax abatement

6. **<u>Definitions</u>** The following words and terms, when used in these Guidelines and Criteria as Amended, shall have the meanings set forth below unless the context *clearly* indicates otherwise

   a **Abatement** means the full or partial exemption from ad valorem taxes of certain real property in a reinvestment zone designated for economic development purposes

   b **Abatement period** means the period during which all or a portion of the value of real property or tangible personal property that is the subject of an Agreement is exempt from taxation

   c **Affected jurisdiction** means the County and every other taxing unit that includes within its boundaries real property that is to be included in a proposed or existing reinvestment zone

   d **Agreement** means a contractual agreement between a property owner and the County acting by and through its Commissioners' Court, or between a property owner and a taxing unit in Galveston County, for the purposes of tax abatement

   e **Applicant** means a current or potential owner or taxable real property, or current or potential owner of a leasehold interest in taxable real property, applying for abatement pursuant to these Guidelines and Criteria and the Property Redevelopment and Tax Abatement Act

   f **Base year value** means the assessed value of eligible property on January 1 preceding the effective date of the Agreement plus the agreed upon value of eligible property improvements made after January 1 but before the full execution of the Agreement, or the sales price if the property was conveyed subsequent to January 1, whichever is greater

g **Commissioners' Court** means the Commissioners' Court of Galveston County, Texas

h **Convergent Technologies Facility** means buildings and structures, including fixed machinery and equipment, used or to be used primarily for research or development of computer and other electronic systems and hardware design or testing, software development, testing, or publishing, wireless telecommunications, or related product manufacturing

i **County** means Galveston County, Texas

j **Deferred maintenance** means improvements necessary for continued operations which do not improve productivity or alter the process technology

k **Employee** means a person whose employment is both permanent and full-time, who is employed by the applicant for abatement for a minimum of 1,750 hours per year exclusively within the reinvestment zone, and whose employment is reflected in the tax abatement applicant's quarterly report filed with the Texas Workforce Commission

l **Expansion** means the addition of buildings, structures, fixed machinery, or equipment for purposes of increasing production capacity

m **Facility** means property improvements completed or in the process of construction which together comprise an integral whole

n **Local Economic Zone** means the County and immediately adjacent counties, provided however, that the Local Economic Zone shall not extend greater than 100 miles from any part of the County

o **Manufacturing Facility** means buildings and structures, including fixed machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change

p **Modernization** means a complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity Modernization may result from the construction, alteration, or installation of buildings, structures, machinery, or equipment Modernization shall include improvements for the purpose of increasing productivity or updating the technology of machinery and equipment, or both, but not for the purpose of reconditioning, refurbishing, or repairing

q **New Facility** means a property previously undeveloped which is placed into service by means other than or in conjunction with expansion or modernization

r **Other Basic Industry Facility** means buildings and structures, including fixed machinery and equipment, not elsewhere described, used or to be used for the production of products or services which primarily serve a market outside the Local Economic Zone Corporate home office is included in this definition

s **Productive Life** means the number of years a property improvement is expected to be in service in a facility

t **Regional Distribution Center Facility** means buildings and structures, including fixed machinery and equipment, used or to be used primarily to receive, store, service, or distribute goods or materials owned by the facility operator where a majority of the goods or services are distributed to points at least 100 miles from any part of Galveston County

u **Regional Entertainment Facility** means buildings and structures, including fixed machinery and equipment, used or to be sued to provide entertainment through the admission of the general public where the majority of users reside at least 100 miles from any part of the County

v **Regional Office Facility** means a building of at least 100,000 square feet in construction excluding related parking facilities, constructed specifically for use by private companies whose scope of business is in the State of Texas and beyond and not limited to the Local Economic Zone

w **Regional Service Facility** means buildings and structures, including machinery and equipment, used or to be used to service goods where a majority of the goods being serviced originate outside the Local Economic Zone

x **Research Facility** means buildings and structures, including machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto

y **Research & Development Facility** means buildings and structures, included fixed-in-place machinery and equipment, used or to be used entirely for research or experimentation to improve or develop current technology in biomedicine, electronics, or pre-commercial emerging industries

z **Taxing unit** has the meaning ascribed in Sections 1 04 and 312 002(g) of the Texas Tax Code

7. **Eligibility.**

a **Reinvestment Zone** To be eligible for tax abatement the owner must own taxable real property which is the subject of the tax abatement which is located within a reinvestment zone designated by the governing body of a municipality or the County in accordance with the Property Redevelopment and Tax Abatement Act and must enter into a written agreement with the County wherein the owner agrees to make specified improvements or repairs to the property and, if applicable, that such specified improvements or repairs to the property are being made in conformity with the municipality's comprehensive plan

b **Authorized Facility** A Facility may be eligible for abatement if it is a Convergent Technologies Facility, Manufacturing Facility, Regional Distribution Center Facility, Regional Entertainment Facility, Regional Office Facility, Regional Service Facility, Research Facility, Research & Development Facility, or Other Basic Industry and meets the other requirements of these Guidelines and Criteria

c **Creation of new value** Abatement may only be granted for the increase in appraised value of eligible property located in the reinvestment zone made subsequent to and specified in the Agreement between the County and the property owner and lessee (if applicable), subject to such limitations as the Commissioners' Court and the Texas Tax Code may require

d **New and existing facilities** Abatement may be granted for both new facilities and structures and for the expansion or modernization of existing facilities and structures, unless the property is property described by Section 312 211(a) of the Texas Tax Code (in which event requirements must conform with Section 312 211)

e **Leased facility** If a leased facility is granted tax abatement, then the Agreement shall be executed with both the lessor (owner) and the lessee

f **Eligible Property** Abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the Facility at the discretion of the Commissioners' Court The value of all property shall be the certified appraised value for each year, as finally determined by the Galveston Central Appraisal District

g **Ineligible Property** The following types of property shall be fully taxable and are ineligible for tax abatement land, inventories, supplies, tools, furnishings and other forms of movable personal property, vehicles, vessels, aircraft, housing, hotel accommodations, furniture, deferred maintenance investments, property to be rented or leased (except as provided in Leased Facilities above), property which has a productive life of less than 15 years, any improvements, including those to produce, store, or distribute natural gas, fluids or gases, which are not integral to the operation of the facility, property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated, or directed by a political subdivision of the State of Texas, or any property exempted by local, state, or federal law

h **Forego Protest. Applicant agrees to forego any protest, application, negotiations, or other procedures available to taxpayers that would challenge or dispute the assessed value annually determined by the Galveston Central Appraisal District.**

i **Basic Qualifications** To be eligible for designation as a reinvestment zone and receive tax abatement, the planned improvement

1) Must be shown to directly create employment for at least 15 additional permanent full-time Employees or prevent the loss of at least 15 permanent full-time Employees, wherein the worksite for the Employees is within the reinvestment zone,

2) Must be shown to not solely or primarily have the effect of transferring employment from one part of the County to another part of the County,

3) The total expenditure for the construction and addition of eligible, taxable property must exceed $3,000,000 upon completion of the contractually defined construction period, and

4) Notwithstanding the immediately preceding subsection, if the Commissioners' Court finds, by way of the application for tax abatement, that the project is within a concentration of tourist related business activities and that the project would substantially enhance neighboring tourist related businesses, including increasing average occupancy of existing hotel rooms by a minimum of twenty-percent (20%), the Commissioners' Court may consider granting tax abatement for a base total expenditure for construction of eligible taxable property of $2,000,000 upon completion of the contractually defined construction period

8. Term/Maximum Term of Tax Abatement

a **Effective date** Abatement shall be effective with the January 1 valuation date immediately following the date of execution of the Agreement

b **Term limit** Tax abatement may be granted for an abatement period of up to seven (7) years, inclusive of construction The Commissioners' Court reserves the right to set the proportion and length of the abatement, but will first consider granting the proportion and term of tax abatement adopted by the municipality, if applicable In no event shall the abatement period, inclusive of construction and completion, exceed seven (7) years

c **Earlier term limit for Regional Office Facility** Notwithstanding the foregoing, abatement for a Regional Office Facility is terminated at the end of the abatement period or sixty (60) days following the date that the respective municipality in which the facility is located has issued certificates of occupancy for at least eighty percent (80%) of the total leasable space in the building, whichever occurs first Applicant shall provide, at minimum, yearly reports to the County showing the percentage of certificates of occupancy issued relative to total leasable space with such yearly reports being provided to the County no later than the end of February in each year, and shall provide notification of reaching the eighty-percent (80%) threshold no later than thirty (30) calendar days after reaching the eight percent threshold

9. Abatement in taxing jurisdiction of a municipality (joining municipal tax abatement).

a **Term** Galveston County may consider joining in approved municipal abatements for an abatement period of up to seven (7) years, inclusive of construction, upon application by the municipality to the Commissioners Court

b **Application by municipality** In making such application to the Commissioners Court, the municipality must include a certified copy of the tax abatement application that the applicant submitted to the municipality and a certified copy of the tax abatement agreement entered into between the municipality and the Applicant

c **Eligibility** To be eligible for abatement by the County, the requested tax abatement must be eligible and conform to the requirements of these Guidelines and Criteria as Amended, including without limitation, Sections 6, 7, 8 and 17 of these Guidelines and Criteria as Amended

d **Agreement (amendment to municipal agreement or separate agreement)**

1) The County may participate in the abatement through the vehicle of an amendment to the municipal tax abatement agreement, or through a separate agreement entered into between the County and the Applicant The terms of the County's participation in the abatement are not required to contain terms identical to those contained in the agreement with the municipality

2) In the event of an amendment to the municipal tax abatement agreement, the amendment shall, at minimum, include specifying the term of the County's participation, the proportion of value to be abated, the date upon which abatement commences (for the municipality and for the County), the date upon which the abatement ends (for the municipality and the County), and the date that taxes shall be due and payable The amendment shall also, at minimum, include provisions addressing Sections 12 through 17 of these Guidelines and Criteria as Amended The County's participation in abatement on property within the taxing jurisdiction of a municipality remains subject to these Guidelines and Criteria as Amended

10. <u>Tax Abatement in County Reinvestment Zone</u>

a **Unincorporated areas** The Commissioners Court, by order, may designate as a reinvestment zone an area of the County that does not include area in the taxing jurisdiction of a municipality

b **Public Hearing/Designation of area as a reinvestment zone**

1) The Commissioners' Court may not designate an area as a reinvestment zone until it holds a public hearing on the designation and finds that the designation would contribute to the retention or expansion of primary employment or would attract major investment in the zone that would be a benefit to the property to be included in the zone and would contribute to the economic development of the County

2) At the hearing, interested persons are entitled to speak and present evidence for or against the designation

3) Advance notice of the public hearing must be given in compliance with the requirements of Sections 312 201 and 312 401 of the Texas Tax Code Accordingly, not later than the seventh (7th) day before the date of the hearing, notice of the hearing must be

a) Published in a newspaper having general circulation in the County, and b) Delivered in writing to the presiding officer of the governing body of each taxing unit that includes in its boundaries real property that is to be included in the proposed reinvestment zone For purposes of this requirement, the County shall mail the notice of the public hearing to the respective presiding officer(s) by certified mail, return receipt requested, with proper postage affixed

4) Notice is presumed delivered when placed in the mail postage-paid and property addressed to the appropriate presiding officer A notice properly addressed and sent by registered or certified mail for which a return receipt is received by the County is considered to have been delivered to the addressee

c **Expiration of reinvestment zone under this section** The designation of a reinvestment zone under this section expires five years after the date of the designation and may be renewed for periods not to exceed five years Provided however, that the expiration of the designation does not affect existing agreements made under this Section

d **Enterprise Zone** Designation of an area as an enterprise zone under Chapter 2303 of the Government Code constitutes a designation of the area as a reinvestment zone under these Guidelines and Criteria as Amended without further hearing or other procedural requirements other than those provided by Chapter 2303 of the Government Code

e **Location** Property may be located both in a reinvestment zone designated by the County under this section and in a reinvestment zone designated by a municipality

f **Prohibition** The County shall not establish a reinvestment zone for the purpose of tax abatement if it finds that the request for the abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed modernization, expansion, or new facility

g **Proportion of tax to be abated**

1) The total proportion of value to be abated shall be provided on the following schedule based on percent of Galveston County hires

Percent of Galveston County Hires	Maximum percent of value that may be abated
0 - 05%	20%
06 - 15%	30%
16 - 25%	40%

26 - 35%	50%
36 - 45%	60%
46-55%	70%
56-66%	80%
66-75%	90%
76+%	100%

2) Notwithstanding the foregoing, in the event the Applicant plans the removal in whole or in part of existing improvements in connection with the construction of new eligible properties, tax abatement shall be reduced from the percentage level provided for herein The percentage to be abated shall be calculated as follows

a) Ascertain the appraised value of the improvements to be removed as of January 1 immediately preceding the date of the application,

b) Subtract the above appraised value from the amount of the eligible properties to be constructed, and then

c) Divide the remainder by the said amount of eligible properties to be constructed to find the percentage of abatement of the value of such eligible properties and multiply that result by the total of allowed percentage abatement

h **Taxability** Subsequent to full execution of the Agreement and for the duration of the abatement period specified within the Agreement, taxes shall be payable as follows

1) The value of ineligible property shall be fully taxable,

2) The base year value of existing eligible property as determined each year shall be fully taxable,

3) The additional value of new eligible property shall taxable in the manner described in Subsection (g) above, and

4) If the base year value decreases during the term of a tax abatement or if an additional exemption is granted by the State or Federal government, then the maximum amount of abatable value to be used in abatement calculation (the Cap) will be reduced each year at the same rate

i **Galveston County Employment** Applicant and Applicant's contractors may employ in the construction phase and afterwards in facility operations, supervisory and administrative personnel as deemed most suitable, wherever located Preferential treatment shall be given to hiring operations and construction workers residing in Galveston County, not only in the construction phase of the facility, but also during operations thereafter

j **Galveston County Vendors** The Applicant and Applicant's contractors shall make every effort to utilize the services of Galveston County vendors where applicable during construction and operations

11. Application for Abatement

a **Written application** Any current or potential owner or lessee of taxable property in the County may request tax abatement by filing a written application with the County, through its Community Services Department (CSD), prior to any public expression of a siting decision The Commissioners' Court has developed an application for this purpose and a completed application must be submitted (along with required supporting documentation and fee payment) A copy of the application is attached to these Guidelines and Criteria as Amended The physical location and mailing instructions for the submission of application, are as follows

Attn Director,
Galveston County Community Services Department
722 Moody, 5th Floor
Galveston, Texas 77550

b **Contents.** The application shall be signed by the owner or lessee, as applicable, and accompanied by

1) A general description of the proposed use and the general nature and extent of the modernization, expansion, or new improvements to be undertaken,

2) An application fee of $1,000, payable to Galveston County (fee is non-refundable),

3) A descriptive list of the improvements which will be a part of the facility,

4) An estimate of the cost of the improvements,

5) An estimate of the number of employees during construction and thereafter to operate the facility,

6) A map and metes and bounds of the property,

7) A legal description of the property,

8) A time schedule for undertaking and completing the proposed improvements,

9) A proposed program for the recruitment of local employees in the construction and operation of the facility together with a statement affirming the Applicant's commitment to equal employment opportunity and hiring, at all levels, including a plan to implement and ensure such equal employment opportunity,

10) A certification prepared by the County Tax Assessor-Collector stating that all of Applicant's tax accounts within the County are paid on a current basis,

11) Financial and other information the County deems necessary for evaluating the financial capacity of the Applicant,

12) Information pertaining to the reasons that the requested tax abatement is necessary to ensure the proposed project is built in the County (i e , documentation supporting assertion that ***"but for"*** a tax abatement, the stated project could not be constructed in the County),

13) For a leased facility, the Applicant shall provide with the application the name and address of the lessor and a draft copy of the proposed lease or option to contract In the event a lease or option contract has already been executed with the owner of the site, the document must include a provision whereby the abatement applicant may terminate such contract without penalty or loss of earnest money in the event the County does not grant a tax abatement,

14) A narrative addressing the points raised in the description of narrative accompanying the Application for Tax Abatement form,

15) Applicant shall include its history of environmental compliance, and

16) Confirmation on whether the property is located within a reinvestment zone established under the Tax Increment Financing Act (TIFA), and if so, then Applicant shall also provide a list of the members of the board of directors for the TIFA reinvestment zone, detailing their positions on the board, and, at minimum, contact information for the chair of the board and the secretary of the board

c **Modernization** In the case of modernization, Applicant shall include a statement of the assessed value of the facility separately stated for real and personal property for the tax year immediately preceding the application

d **Job Retention** In the case of an application based on job retention, Applicant shall include a statement and sufficient information to verify the potential of job loss that would occur without the abatement

e **Review by CSD** Upon receipt of a complete application, the Director of the CSD shall make an initial determination of whether the project qualifies for tax abatement under these Guidelines and Criteria as Amended, and issue his recommendation as to whether the proposed project qualifies under these Guidelines and Criteria as Amended to the Commissioners Court, including requesting authorization from the Commissioners Court regarding scheduling the public hearing, creating the reinvestment zone, and negotiating the tax abatement agreement If an Agreement is subsequently approved by the Commissioners Court, then the Director of the CSD shall provide a fully executed copy of the Agreement to the Galveston County Auditor and to the Galveston County Tax Assessor-Collector

f **Prohibition** The County shall not establish a reinvestment zone or enter into a tax abatement agreement if the County finds that an application was received after a project commenced construction or installation of improvements

g **Increase in value** If the County intends to act favorably on the application and enter into an agreement with the Applicant, the County shall do so in writing with the owner of the taxable real property located in an area designated as a reinvestment zone to exempt from taxation all or a portion of the increase in the value of the property over its value in the year in which the agreement is executed, subject to the provisions of these Guidelines and Criteria as Amended Property eligible for abatement includes only new improvements commencing after approval of a tax abatement agreement with the County The County may not enter into a tax abatement agreement unless it finds that the terms of the agreement and the property subject to the agreement meet the requirements of these Guidelines and Criteria as Amended

12. <u>Agreement</u>

a **Prior written notice of tax abatement agreement to other taxing units** Not later than the seventh (7^{th}) day before the date on which the County enters into an Agreement, the Director of the CSD serving as the County's designee shall deliver to the presiding officer of the governing body of each other taxing unit in which the property to be subject to the agreement is located a written notice stating that the County intends to enter into the agreement The notice must include a copy of the proposed agreement The notice is presumed delivered when placed in the mail postage paid and properly addressed to the presiding officer A notice properly addressed and sent by registered or certified mail for which a return receipt is received by the County is considered to have been delivered to the addressee

b **Approval by Commissioners Court/Resolution required** To be effective, an agreement must be approved by the affirmative vote of a majority of the members of the Commissioners Court at a regularly scheduled meeting of the Commissioners Court After the public hearing, the Commissioners Court shall adopt a resolution finding that the proposed agreement filed with the resolution, a copy of which must be attached thereto, meets the applicable provisions of these Guidelines and Criteria as Amended The resolution shall also authorize the execution of the agreement with the owner of the facility or, if applicable, the lessee

c **Specific terms of tax abatement agreement – statutory mandatory requirements.** The execution, duration, and other terms of the Agreement are governed by the provisions of Sections 312 204, 312 2041, 312 205, and 312 211 of the Tax Code applicable to a municipality Accordingly, the Agreement shall

1) List the kind, number, and location of all proposed improvements of the property,

2) Provide access to and authorize inspection of the property by County employees to ensure that the improvements or repairs are made according to the specifications and conditions of the agreement,

3) Limit the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period that property tax exemptions are in effect,

4) Provide for recapturing property tax revenue lost as a result of the Agreement if the owner of the property fails to make the improvements or repairs as provided by the Agreement,

5) Contain each term agreed to by the owner of the property,

6) Require the owner of the property to certify annually to the governing body of each taxing unit that the owner is in compliance with each applicable term of the Agreement, and

7) Provide that the Commissioners Court may cancel or modify the Agreement if the property owner fails to comply with the Agreement

d **Specific terms of tax abatement agreements – additional mandatory requirements** The Agreement shall also

1) Include a map showing existing uses and conditions of real property in the reinvestment zone,

2) Include a map showing proposed improvements and uses in the reinvestment zone,

3) List the commencement date and termination date of abatement,

4) Include a provision that the Agreement shall be effective when executed by all parties and, if the reinvestment zone is being designated by a municipality, upon the final passage of an ordinance designating the reinvestment zone,

5) Include provisions that the owner or lessee will obtain and maintain all required permits and other authorizations from the Federal and State agencies with authority regarding the property, including without limitation and if applicable, the United States Environmental Protection Agency and the Texas Commission on Environmental Quality (TCEQ) for the construction and operation of its facility and for the storage, transport, and disposal of solid waste, and seek a permit from the TCEQ for all grandfathered units on the site of the abated facility by filing with the TCEQ, within three years of receiving the abatement, a technically complete application for such a permit,

6) List the proposed use of the facility, the nature of construction, time schedule, property description, and improvement list,

7) Include a requirement that the Applicant annually file a report with the County describing the Applicant's efforts towards local hires and using local vendors and subsequent to completion, progress on construction This annual report to the County shall also include a January employee count for the abated facility that corresponds to employee counts reported in the facility Employer's Quarterly Report to the Texas Workforce Commission for the quarter most recently ended at calendar year-end, and

8) List whether the property subject to abatement is located within a reinvestment zone established under the Tax Increment Financing Act, and if no, then the Owner shall be required to represent and warrant that the property is not located within a reinvestment zone established under the Tax Increment Financing Act

e **Mandatory terms in these Guidelines are not limitations on requiring additional terms for tax abatement** The Commissioners' Court retains the right to require additional terms and conditions for abatement and the listing of mandatory provisions specified in this Section 12 is not a limitation on the terms and conditions that may be required by the Commissioners' Court

13. Recapture

a **Discontinuation/Significant Reduction of production** In the event the facility is completed and begins producing product or service, but subsequently discontinues or significantly reduces producing product or service for any reason for a period of 180 days while the Agreement is active, or one year in the event of a declared disaster under the Texas Disaster Act of 1975 in which the disaster is the cause for the discontinuation, then the Agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces or significantly reduces production The taxes otherwise abated for that calendar year shall be paid to the County within sixty (60) calendar days from the date of termination Any reduction of 50% or more from the estimated production/service in the application shall constitute a significant reduction in the production of product or service The company or individual shall notify the County in writing at the address stated within the Agreement within ten (10) business days from any discontinuation or significant reduction, stating the reason for the discontinuation or significant reduction and the projected length of the discontinuation or significant reduction If the County determines that this requirement for notification has not been complied with, the Agreement may be terminated immediately and all taxes previously abated by virtue of the Agreement shall be recaptured and must be paid within sixty (60) calendar days

b **Default under terms and conditions of Agreement** Should the County determine that the company or individual is in default according to the terms and conditions of its Agreement, the County shall notify the company or individual in writing at the address stated within the Agreement or at such other address that the individual or company has subsequently provided to the County for notice, and if the default is not cured within sixty (60) calendar days from the date of such notice (Cure Period), the Agreement may be terminated immediately and all taxes previously abated by the Agreement shall be recaptured and must be paid within sixty (60) calendar days If the County does not receive full payment within said sixty (60) days, a penalty equal to fifteen percent (15%) of the total amount abated may be added

c **Delinquent ad valorem taxes cause for termination** If the company or individual allows any ad valorem taxes owed to the County or other taxing unit within the County to become delinquent and fails to timely and properly follow the legal procedures for protest and/or contest, then the Agreement may be terminated and all taxes previously abated by the Agreement shall be recaptured and must be paid within sixty (60) calendar days of the termination If the County does not receive full payment within said sixty (60) days, a penalty equal to fifteen percent (15%) of the total amount abated may be added

14. Administration

a **Appraisal by GCAD** The Galveston Central Appraisal District (GCAD) annually determines the assessment of the real and personal property comprising the reinvestment zone Accordingly, each year the company or individual receiving abatement shall furnish the Chief Appraiser of the GCAD with such information as may be necessary for the abatement After the value has been established by the GCAD, the GCAD shall notify the affecting taxing jurisdictions of the certified appraised value of the property

b **Completion of construction** Upon completion of construction, the CSD shall annually evaluate each facility receiving abatement to ensure compliance with its Agreement and report violations to the Commissioners Court

15. Assignment An Agreement may be assigned to a new owner or lessee of a facility only with the prior written consent of the Commissioners' Court Assignment is subject to the financial capacity of the proposed assignee and other factors at the discretion of the Commissioners' Court No assignment shall be approved if the assignor or the assignee is indebted to the County or to other affected taxing jurisdictions for past due ad valorem taxes or other obligations Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions set forth in the Agreement Any assignment shall be to an owner that continues the same improvements or repairs to the property (except to the extent that such improvements or repairs have been completed, in which event the assignor and assignee shall each certify as to such completion) and continues the same use of the facility as stated in the Agreement with the Applicant (now proposed assignor) Approval of assignment shall not be unreasonably withheld

16. Confidentiality of Proprietary Information/Public Information Act Applicant acknowledges that the County is a governmental body subject to the Public Information Act and thus is required to release information in accordance with the Public Information Act Applicant may be required to provide information in connection with its application or ongoing monitoring requirements that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property for which abatement is being sought Section 312 003 of the Tax Code provides for the confidentiality of such information provided to a taxing unit in connection with an application or request for tax abatement until the tax abatement agreement is executed Applicant acknowledges that Section 312 003 affords confidentiality for such information only until the tax abatement agreement is executed Applicant further agrees to and shall clearly and conspicuously mark any information that it considers to be proprietary, trade secret, or otherwise confidential in its application or other information furnished to the County to facilitate the procedures for notice to third party under the Public Information Act, which are contained at Section 552 305 of the Government Code

17. <u>Immigration Compliance/Use of E-Verify required</u>

a **Compliance with U.S. Immigration Reform and Control Act of 1986** To the best of Applicant's knowledge, having undertaken reasonable diligence, none of the Applicant's personnel is an unauthorized alien and Applicant at all times shall comply with the U S Immigration Reform and Control Act of 1986, as amended Applicant further agrees that it shall not subcontract services to any subcontractor who utilizes persons not eligible for employment within the United States

b **Use of E-Verify required** The United States Department of Homeland Security's Employment Eligibility Program is known as E-Verify The E-Verify Program is used to electronically confirm an employee's eligibility to work in the United States, however it is not a substitute for complying with I-9 requirements To be eligible for abatement, an Applicant shall comply with I-9 requirements and shall utilize E-Verify to confirm the eligibility of its employees to work in the United States

18. <u>Abatement on properties within a TIFA reinvestment zone</u> In the event of real property located within a reinvestment zone established under the Tax Increment Financing Act (TIFA) (codified at Chapter 311 of the Tax Code), the County may enter into an Agreement with an owner of real property in the TIFA reinvestment zone regardless of whether the County deposits or agrees to deposit tax increment into the tax increment fund However, to be effective, the agreement to abate taxes on real property in a TIFA reinvestment zone must also be approved by the board of directors of the respective TIFA reinvestment zone and the governing body of each taxing unit that imposes taxes on real property in the TIFA reinvestment zone and deposits or agrees to deposit any of its tax increment into the tax increment fund for the TIFA reinvestment zone If the County participates in the TIFA reinvestment zone and enters into an abatement agreement with an owner of real property in the TIFA reinvestment zone, then the taxes that are abated under the abatement agreement are not considered taxes to be imposed or produced by the County in calculating the amount of the tax increment of the County of the County's deposit to the tax increment fund for the TIFA reinvestment zone

19. <u>Severability</u> If any provision of these Guidelines and Criteria as Amended is held invalid by a court of competent jurisdiction, the invalidity shall not affect the other provisions of these Guidelines and Criteria as Amended that can be given effect without the invalid provision, and to this end the provisions of these Guidelines and Criteria as Amended are severable Additionally, for purposes of clarification, Section 312 209 of the Tax Code, titled "Application of Nonseverability Provision," pertains to the regulation and removal of outdoor signs and compensation thereof by municipalities, and the provisions amending the Property Redevelopment and Tax Abatement Act in Chapter 221, Acts of the 69th Legislature, Regular Session (1985) and currently codified within Chapter 216 of the Local Government Code, pertain to pertain to signage and the method of compensation when a sign is required to be relocated, reconstructed, or removed and do not prohibit or even pertain to the allowability of severability in construing these Guidelines and Criteria as Amended

Application for Tax Abatement by Galveston County, Texas

This application, required supporting documentation, and a $1,000 application fee made payable to Galveston County (non-refundable) must be submitted to the Galveston County Community Services Department to be eligible for consideration for tax abatement by the Commissioners' Court of Galveston County The mailing address and location for Galveston County Community Services Department is 722 Moody, 5th Floor, Galveston, Texas 77550 ***This application will become part of the tax abatement agreement and any knowing false representations will be grounds for terminating the application and/or voiding the tax abatement agreement.*** Galveston County will forward copies of this application to other taxing jurisdictions if required by the Property Redevelopment and Tax Abatement Act

Part I. Applicant Information **Application Date ___/___/______**

Company name* (complete corporate name must be listed) ______________________________

____

Company address ____

Local address (if different than above) __________________________

Local Phone Number ____________________ E-Mail ____________________

Local Fax Number ____________________ Annual Sales ____________________

State of Incorporation ____________________ Years in Galveston County ____________

Total number of employees worldwide ____________________

Total number of employees in Texas ____________________

Total number of employees in Galveston County ____________

Name and Address of Registered Agent ______________________________

____

*Attach a description of Applicant Company, including brief history, corporate structure, financial statement and annual report, and legal documents showing incorporation information and authority to conduct business in the State of Texas If Applicant conducts business under an assumed name, then Application must include legal documents showing authority to conduct business under assumed name

Part II. Project Information

Project site location address ____________________

Legal description* ____________________

____

Taxing units at project site

School District ____________________ College District ____________________

Municipality ____________________

Tax Account Number(s) ____________________

*Attach plat survey, with a metes and bunds description, for project site

Project description** (check applicable) ☐ New Construction ☐ Expansion

**Attach statement fully explaining project and describing existing site and all proposed improvements, and provide complete detailed (line item) Investment Schedule/Budget detailing improvements for which abatement is requested

Type of Facility*:

☐ Convergent Technologies ☐ Manufacturing

☐ Regional Distribution Center ☐ Regional Entertainment

☐ Regional Office ☐ Regional Service

☐ Research ☐ Research & Development

☐ Other Basic Industry

Describe product or service to be provided and to what purpose ____________________

____

____

*For regional facilities, provide market studies, business plans, or other materials demonstrating that the facility is intended to serve a primary market that lies at least one hundred (100) miles outside of Galveston County

Variance

Is Applicant seeking a variance from the Galveston County Tax Abatement Guidelines and Criteria as Amended?

☐ Yes ☐ No

If yes, attach a letter requesting and justifying the variance and include documentation to support the requested variance

Part III. Economic Information

Construction Estimate

Start Date ______________________ Contract Amount $______________________

Completion Date ______________________ Peak Construction Jobs ______________________

Construction Man-Years ______________

If Modernization

Estimated current economic life of structure __________ years

Added economic life of structure __________ years

Permanent Job Creation/Retention of existing permanent jobs in Galveston County

Current employment ______________

Jobs to be retained ______________

Jobs to be created ______________

Estimated Appraised Value On Site	Land	Improvements	Total
Value on January 1 preceding abatement (per GCAD records and account number)			
Estimated value of new abatable investment Building			
Estimated value of new abatable investment Fixed and in place machinery and equipment			
Estimated value not subject to abatement (e g , inventory)			
Estimated value of property subject to ad valorem tax at end of abatement			

Company Representative Authorized for Contact:

Name ______________________

Title ______________________

Telephone ______________________

E-mail ______________________

Applicant's Authorized Company Official:

Name ______________________

Title ______________________

Telephone ______________________

E-mail ______________________

Signature of Applicant's Authorized Company Official tendering this Application for Tax Abatement: ____ (Application **must** be signed)

Description of Narrative
(must be included with Application)

Introduction to the Company Applicant shall describe the company's business activities, locations, primary markets, history (when and where incorporated), headquarters location, parent or subsidiary company information to include a complete diagram showing names, ownership percentages, and which companies will be active and in what capacity on the project Applicant shall also include the names of chief officers, and provide a copy of the annual report or financial statements

Reasons for seeking abatement Applicant shall state its reasons for seeking tax abatement and should include any special considerations Applicant should state how the project will benefit the community where it will be located If the Applicant is requesting any variances, it shall provide justification for the variance requested

Describe the project Applicant should provide facts about the proposed site (acreage, cost, location, ownership), and describe the type and value of proposed improvements Applicant shall include a construction budget in line item format, and list fixed in place equipment to be included in the project Applicant shall include a project timeline (running from start date through end date) Applicant shall provide environmental impact information and note any anticipated impacts of the project on the environment, including but not limited to, water quality, storm water and runoff, floodplain and wetlands, solid waste disposal, noise levels, and air quality Applicant shall include its history of environmental compliance

Jobs Applicant must provide information on its current level of employment including current payroll and the breakdown of current employment by zip code Applicant must provide a copy of the company's most recent filing with the Texas Workforce Commission or other supporting documentation that can be used to determine actual employment at time of application Applicant must provide information on the projected job creation associated with the project, including new employee needs (for example, skilled versus non-skilled, level of education, experience, etc), its proposed pay scale, any training that the company will provide to its new employees, upward mobility opportunities, career tacks, etc , available to less educated and experienced workers, if this is a consolidation, then information on the number of new hires versus the number of transfers, and information on construction jobs to be created by the project

Competition with local business Applicant shall list any competition or similar businesses in the area and describe how abatement will impact competition with other similar businesses in the area

Alternative site considerations If applicable, Applicant shall provide information on alternative site considerations and/or incentives being offered to the company Applicant shall state who the company has visited with outside of Galveston County concerning tax abatement in another county, state, or country, and provide copies of any letters of intent from the entities offering abatement/incentive(s)

Lease Agreement If Applicant will be leasing property, it must attach a copy of the lease If the company owns or is purchasing land, Applicant must attach a copy of deed or executed contract-option to purchase and there must be an "out clause" listed in the special provisions stating that if tax abatement is not granted, then Applicant will not be held to the terms of the contract with the lessor/owner

Completeness of Submission Applicant's application for tax abatement shall not be considered complete until all required information has been provided to Galveston County For questions, Applicant should contact the Director of the Galveston County Community Services Department

AGENDA ITEM #19b

NO

BACK – UP

PROVIDED

AGENDA
ITEM
#20a

NO
BACK – UP
PROVIDED

AGENDA
ITEM
#20b

NO

BACK – UP

PROVIDED

AGENDA ITEM #20c

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 12/4/12	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes No
4 Department Name Engineering		5 Department Contact Mike Fitzgerald	
6 Description Engineering agreement to coordinate with TxDOT to conduct traffic count on FM 646			
7 IFAS PEID No 400693	8 IFAS Req No	9 Orgkey 3110 315162	10 Object Code 5731015
11 Vendor Dannenbaum Engineering Corporation		12 Vendor Contract No	
13 Requested Legal Review N/A Yes / No (Explain if No)			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
646 Pass Thru Toll Rd Proj	3310	2925197 13	~~7994~~ 7664				
22 Totals		2,925 197	~~7,994~~ 7664				-

To Be Completed By Purchasing Department

Contract Start Date 12/11/12	Auto Renewal Contract Yes / No	Bid No. N/A
Contract End Date 03/11/13	Contract # Issued By Purchasing. CM13072	

Approved By	Signature	Date
Department Head	G. M. Fitzgerald	12/4/12
Purchasing Agent	[signature]	12-4-12
County Legal		

Contract listed in Budget Documentation Yes / No

County Budget Office	[signature]	12/4/2012

Form Number

Revised 9/25/2012

DANNENBAUM ENGINEERING CORPORATION

3100 WEST ALABAMA HOUSTON TEXAS 77098 P O BOX 22292 HOUSTON, TEXAS 77227 (713) 520 9570

ENGINEERING EXCELLENCE SINCE 1945

December 3, 2012

Mr G Michael Fitzgerald, P E.
County Engineer
The County of Galveston
722 Moody Avenue
Galveston, Texas 77550

Dear Mr. Fitzgerald:

Dannenbaum Engineering Corporation is pleased to offer a proposal to assist Galveston County in conducting the 2012 traffic count for FM 646 North

Dannenbaum proposes to use the services of C J. Hensch & Associates, Inc. to place tube type traffic counters on FM 646 Once the traffic counts are obtained, Dannenbaum will compile the data to determine the vehicle miles traveled. Dannenbaum will forward the traffic count information to Texas Department of Transportation (TxDOT) for their review

Our fees for these services would be on a time and material basis not to exceed $7,664 00 in accordance with our standard fee schedule attached.

Should you have any questions regarding this proposal, please do not hesitate to contact me

Sincerely,
DANNENBAUM ENGINEERING CORPORATION

for

Larry S. Marr P E
Project Manager

Enclosures. Dannenbaum Proposal
Standard Fee Schedule
C J. Hensch & Associates, Inc. Proposal

APPROVED BY: ______________________ DATE 12/11/12
Mark Henry, County Judge

ATTEST BY: ______________________
Dwight D. Sullivan, County Clerk

G \1120\4157-10\Admin\Corresp\FM646NorthTrafficCountProposal120312 docx

PROPOSAL
2012 TRAFFIC COUNT
FM 646 NORTH PROJECT

DESCRIPTION

Assist Galveston County in conducting the 2012 traffic count for FM 646 North Project

SCOPE

Obtain approval from Texas Department of Transportation (TxDOT)
- Conduct traffic counts using conventional tube counting techniques
- Locate traffic counting equipment on FM 646
- Method of obtaining both adequate data to determine vehicle miles traveled

Contract C J Hensch & Associates, Inc to provide equipment and conduct the traffic counts

Coordinate with Galveston County, C J Hensch, and TxDOT
- Conduct the traffic count process
- Compile vehicle miles traveled
- Transmit data to TxDOT

FEE BUDGET

Not to exceed $7,664 00

FM 646 TRAFFIC COUNTS - NORTH
(2012 COUNT)

SCOPE OF WORK	FEE
TRAFFIC COUNTS	
Coordination and Data Compilation	$4,650
Direct Expenses	$0
TOTAL	$4,650
ADDITIONAL SERVICES	
Traffic Count Subconsultant (C J Hensch & Associates, Inc)	$3,014
TOTAL ADDITIONAL SERVICES	$3,014
TOTAL FEES	$7,664

C J Hensch & Associates, Inc.

Corporate
5215 Sycamore
Pasadena, Texas 77503
281/487-5417
Fax 281/991-8887

Metroplex
209 E. Pioneer
Irving, Texas 75061
214/492-6300
Fax 214/441-0197

September 7, 2011

Mr. Keith Fredrickson
Dannenbaum Engineering Corporation
3100 West Alabama
Houston, TX 77098

Re: FM 646 Traffic Data Collection

Dear Mr Fredrickson:

As requested the following is the cost proposal to place mechanical tube counters on FM 646:

2 7-day bi-directional tube counts @ $1,370 00/location as follows:

1 NB & SB on FM 646 between Brookport and the I-45 Southbound Frontage Road

2 NB & SB on FM 646 south of Diamond Bay

Total: $2,740.00

If you have any questions or need additional information, please let me know.

Cordially,

Carol J. Hensch

Carol J. Hensch
President

AGENDA ITEM #20d

APPLICATION FOR PERMISSION TO CONVEY BY METES AND BOUNDS PROPERTY DESCRIPTIONS, PORTIONS OF PREVIOUSLY PLATTED LOTS, WITHOUT REVISING THE PLAT

THE COMMISSIONERS COURT
OF GALVESTON COUNTY, TEXAS

TO THE HONORABLE COMMISSIONERS' COURT OF GALVESTON COUNTY, TEXAS

NOW COMES Michael L Riley and files this Petition and Application for permission to convey, by metes and bounds property descriptions, portions of Tracts 5 and 6 of the M Schrier Tracts in Galveston County Texas, being that same tract as described in Galveston County Instrument No 2005015643 to Michael L Riley as recorded in County Clerk's Office of Galveston County, Texas, without revising the plat There shall be no changes in the streets, drainage or any other lines as presently reflected in the Plat In support thereof, Petitioners would respectfully show into the Court the following, to wit

A copy of a survey with metes and bounds property descriptions, depicting the portion of Tracts 5 and 6 of the M Schrier Tracts attached hereto as EXHIBIT "A"

TRACT 6-1 – 4 95 Acres
TRACT 6-2 – 18 73 Acres

1 Only part of Tracts 5 and 6 of the M Schrier Tracts are to be involved in these conveyances Petitioner is the sole owner of that part of said Tracts 5 and 6 of the M Schrier Tracts

2 The proposed revision will not interfere with the established rights of any owner of any other part of the subdivided land, save and except the lands of said Michael L Riley, Petitioner herein

3 Petitioner is willing and prepared to pay to the County any appropriate administrative cost or fees which may be incurred in the processing of the Application and Petition

4 The petitioner understands that approval of this metes and bounds document does not guarantee approval of water well or sewer permits or building permits and that water, sewer and building permits are separate issues

5 Approval of this metes and bounds application does not guarantee Galveston County Health Dept permits for the sewer system will be issued

WHEREFORE, Petitioner prays that upon final hearing hereof, this Honorable Court adopt an Order granting permission to the Petitioner to convey a portion of Tracts 5 and 6 of the M Schrier Tracts all as per the survey plat and metes and bounds property description shown in Exhibit "A" attached hereto, and that this Honorable Court enter such further orders and take such further action as may be proper

EXECUTED this 7th day of December 2012

Michael L Riley
350 C R 3501
Mico, TX 78056

THE STATE OF Texas

COUNTY OF Galveston

BEFORE ME, the undersigned authority on this day personally appeared Petitioner Michael L Riley, to me to be the person whose name is subscribed to the above and foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed

WITNESSED MY HAND AND SEAL OF OFFICE this the 4th day of December, 2012

Stacey Ann De Los Santos

Notary Public-State of Texas

STACEY ANN DE LOS SANTOS
NOTARY PUBLIC
State of Texas
Comm Exp 06/25/2015

APPROVED

BY [signature] 12/11/12
MARK HENRY Date
County Judge

ATTEST Dwight D. Sullivan
DWIGHT SULLIVAN
County Clerk

12-1344 M&B App Riley

COASTAL SURVEYING OF TEXAS, INC

GALVESTON OFFICE
8017 HARBORSIDE DRIVE
P O BOX 877 (mailing)
GALVESTON TX 77553
ph (409) 740-1517 fx (409) 740-0377

CRYSTAL BEACH OFFICE
975 LAZY LANE WEST
P O BOX 2742 (mailing)
CRYSTAL BEACH TX 77650
ph (409) 684-6400 fx (409) 684-6112

WWW SURVEYGALVESTON COM

EXHIBIT 'A'

TRACT 6-1

Being a 4 95 Acre Tract out of part of Tracts 5 and 6 of the M Schrier Tracts, Elijah Franks Survey, Abst No 64, Bolivar Peninsula, Galveston County, Texas, being part of that same tract as deeded to Michael Riley and wife, Heidi Riley, and recorded under Galveston County Clerks File No 2001054242, Galveston County Deed Records, Galveston County, Texas, and being more particulalry described by metes and bounds as follows

BEGINNING at the intersection of the West line of said Tract 6, with the North R O W line of State Highway No 87,
THENCE N 25°58'09" W, along the West line of said Tract 6, a distance of 710 40 feet,
THENCE N 64°01'51" E, a distance of 302 41 feet to the West R O W line of Yacht Basin Road, as recorded in Volume 477, Page 489 and Volume 489, Page 132, Galveston County Deed Records,
THENCE S 25°58'09" E, along the said West line of Yacht Basin Road, a distance of 716 10 feet to the said North line of State Highway No 87,
THENCE S 65°06'36" W, along said North line of State Highway No 87, a distance of 302 47 feet to the POINT OF BEGINNING having an area of 4 95 Acres

TRACT 6-2

Being a 18 73 Acre Tract out of part of Tracts 5 and 6 of the M Schrier Tracts, Elijah Franks Survey, Abst No 64, Bolivar Peninsula, Galveston County, Texas, being part of that same tract as deeded to Michael Riley and wife, Heidi Riley, and recorded under Galveston County Clerks File No 2001054242, Galveston County Deed Records, Galveston County, Texas, and being more particulalry described by metes and bounds as follows

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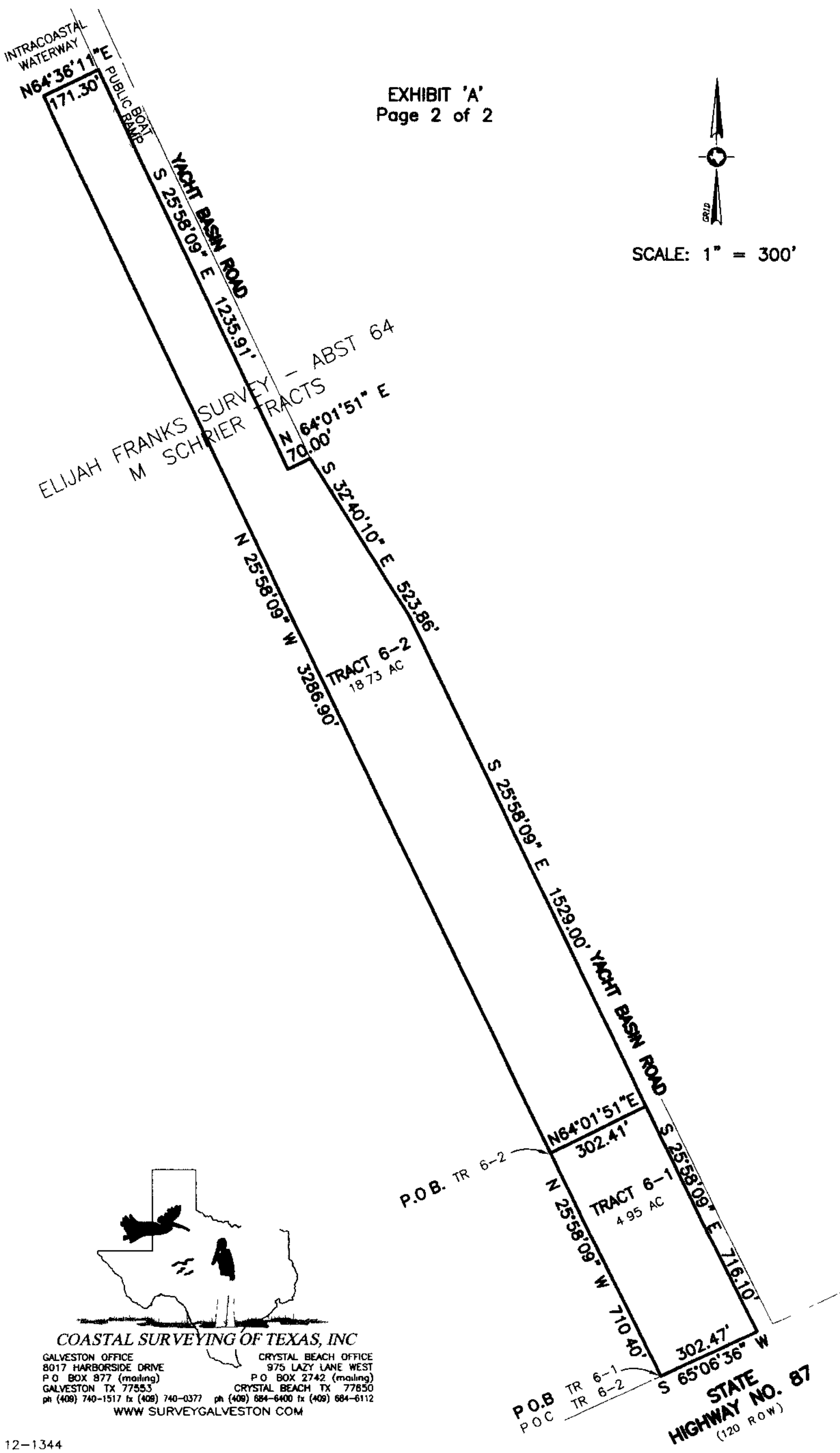
THENCE N 25°58'09" W, along the West line of said Tract 6, a distance of 710 40 feet to the PLACE OF BEGINNING,
THENCE continuing N 25°58'09" W, a distance of 3286 90 feet to the Northwest corner of the said Riley Tract, in the waters of the Intracoastal Waterway,
THENCE N 64 36'11" E, a distance of 171 30 feet to the Northeast corner of the said Riley Tract, said point being in the West line of a public boat ramp,
THENCE S 25°58'09" E, a distance of 1235 91 feet,
THENCE N 64°01'51" E, a distance of 70 00 feet to the West R O W line of Yacht Basin Road as recorded in Volume 477, Page 489 and Volume 489, Page 132, Galveston County Deed Records,
THENCE S 32 40'10" E, along the said West line of Yacht Basin Road, a distance of 523 86 feet to an angle point,
THENCE S 25°58'09" E, continuing along the said West line of Yacht Basin Road, a distance of 1529 00 feet,
THENCE S 64 01'51" W, a distance of 302 41 feet to the POINT OF BEGINNING, having an area 18 73 Acres This tract may be subject to the rights of the State of Texas



COASTAL SURVEYING OF TEXAS, INC

GALVESTON OFFICE
8017 HARBORSIDE DRIVE
P.O. BOX 877 (mailing)
GALVESTON TX 77553
ph (409) 740-1517 fx (409) 740-0377

CRYSTAL BEACH OFFICE
975 LAZY LANE WEST
P.O. BOX 2742 (mailing)
CRYSTAL BEACH TX 77650
ph (409) 684-6400 fx (409) 684-6112

WWW.SURVEYGALVESTON.COM

12-1344

2012067771
6 PGS

CERTIFIED COPY
GALVESTON COUNTY COMMISSIONERS' COURT

RE: AGENDA ITEM NO. 20d

Consideration of application from Michael L Riley to convey a portions of Tracts 5 and 6, M Schrier Tracts on Bolivar Peninsula by metes & bounds without revising the plat.

Motion to Approve by Commissioner O'Brien, seconded by County Judge Henry that the above action be taken by the Court

Passed 4-0

Aye County Judge Henry, Commissioner O'Brien, Commissioner Holmes and Commissioner Clark
Nay· (None)
Abstain (None)
Absent Commissioner Doyle

STATE OF TEXAS §

COUNTY OF GALVESTON §

I, Dwight D. Sullivan, Clerk County Court and Ex-Officio Clerk of the Commissioners' Court of Galveston County, Texas, do hereby certify that the attached is a true and correct copy of that certain:

RE: AGENDA ITEM NO. 20d

as passed by the Commissioners' Court on the 11th day of December, 2012, REGULAR Term of Commissioners' Court and as the same appear(s) in the Commissioners' Court Records of Galveston County, Texas

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 11th DAY OF DECEMBER, A. D., 2012.

DWIGHT D. SULLIVAN, Clerk County Court
and Ex-Officio Member of the Commissioners'
Court of Galveston County, Texas

By. Brandy Chapman Deputy
Brandy Chapman

APPLICATION FOR PERMISSION TO CONVEY BY METES AND BOUNDS PROPERTY DESCRIPTIONS, PORTIONS OF PREVIOUSLY PLATTED LOTS, WITHOUT REVISING THE PLAT

THE COMMISSIONERS COURT
OF GALVESTON COUNTY, TEXAS

TO THE HONORABLE COMMISSIONERS' COURT OF GALVESTON COUNTY, TEXAS

NOW COMES Michael L Riley and files this Petition and Application for permission to convey, by metes and bounds property descriptions, portions of Tracts 5 and 6 of the M Schner Tracts in Galveston County, Texas, being that same tract as described in Galveston County Instrument No 2005015643 to Michael L Riley as recorded in County Clerk's Office of Galveston County, Texas, without revising the plat There shall be no changes in the streets, drainage or any other lines as presently reflected in the Plat In support thereof, Petitioners would respectfully show into the Court the following, to wit

A copy of a survey, with metes and bounds property descriptions, depicting the portion of Tracts 5 and 6 of the M Schner Tracts attached hereto as EXHIBIT "A"

TRACT 6-1 – 4 95 Acres
TRACT 6-2 – 18 73 Acres

1 Only part of Tracts 5 and 6 of the M Schner Tracts are to be involved in these conveyances Petitioner is the sole owner of that part of said Tracts 5 and 6 of the M Schner Tracts

2 The proposed revision will not interfere with the established rights of any owner of any other part of the subdivided land, save and except the lands of said Michael L Riley, Petitioner herein

3 Petitioner is willing and prepared to pay to the County any appropriate administrative cost or fees which may be incurred in the processing of the Application and Petition

4 The petitioner understands that approval of this metes and bounds document does not guarantee approval of water well or sewer permits or building permits and that water, sewer and building permits are separate issues

5 Approval of this metes and bounds application does not guarantee Galveston County Health Dept permits for the sewer system will be issued

WHEREFORE, Petitioner prays that upon final hearing hereof, this Honorable Court adopt an Order granting permission to the Petitioner to convey a portion of Tracts 5 and 6 of the M Schner Tracts all as per the survey plat and metes and bounds property description shown in Exhibit "A" attached hereto, and that this Honorable Court enter such further orders and take such further action as may be proper

EXECUTED this 17th day of December 2012

Michael L Riley
350 C R 3501
Mico, TX 78056

THE STATE OF Texas

COUNTY OF Galveston

BEFORE ME, the undersigned authority on this day personally appeared Petitioner Michael L Riley, to me to be the person whose name is subscribed to the above and foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed

WITNESSED MY HAND AND SEAL OF OFFICE this the 4th day of December 2012

Stacey Ann De Los Santos

Notary Public-State of Texas

STACEY ANN DE LOS SANTOS
NOTARY PUBLIC
State of Texas
Comm Exp 06/25/2015

APPROVED

BY Mark Henry 12/11/12

MARK HENRY Date

County Judge

ATTEST: Dwight D. Sullivan

DWIGHT SULLIVAN

County Clerk

12-1344 M&B App Riley

COASTAL SURVEYING OF TEXAS, INC

GALVESTON OFFICE
3017 HARBORSIDE DRIVE
P O BOX 877 (mailing)
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WWW SURVEYGALVESTON COM

EXHIBIT 'A'

TRACT 6-1

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TRACT 6-2

Being a 18 73 Acre Tract out of part of Tracts 5 and 6 of the M Schrier Tracts, Elijah Franks Survey, Abst No 64, Bolivar Peninsula, Galveston County, Texas, being part of that same tract as deeded to Michael Riley and wife, Heidi Riley, and recorded under Galveston County Clerks File No 2001054242, Galveston County Deed Records, Galveston County, Texas, and being more particulalry described by metes and bounds as follows

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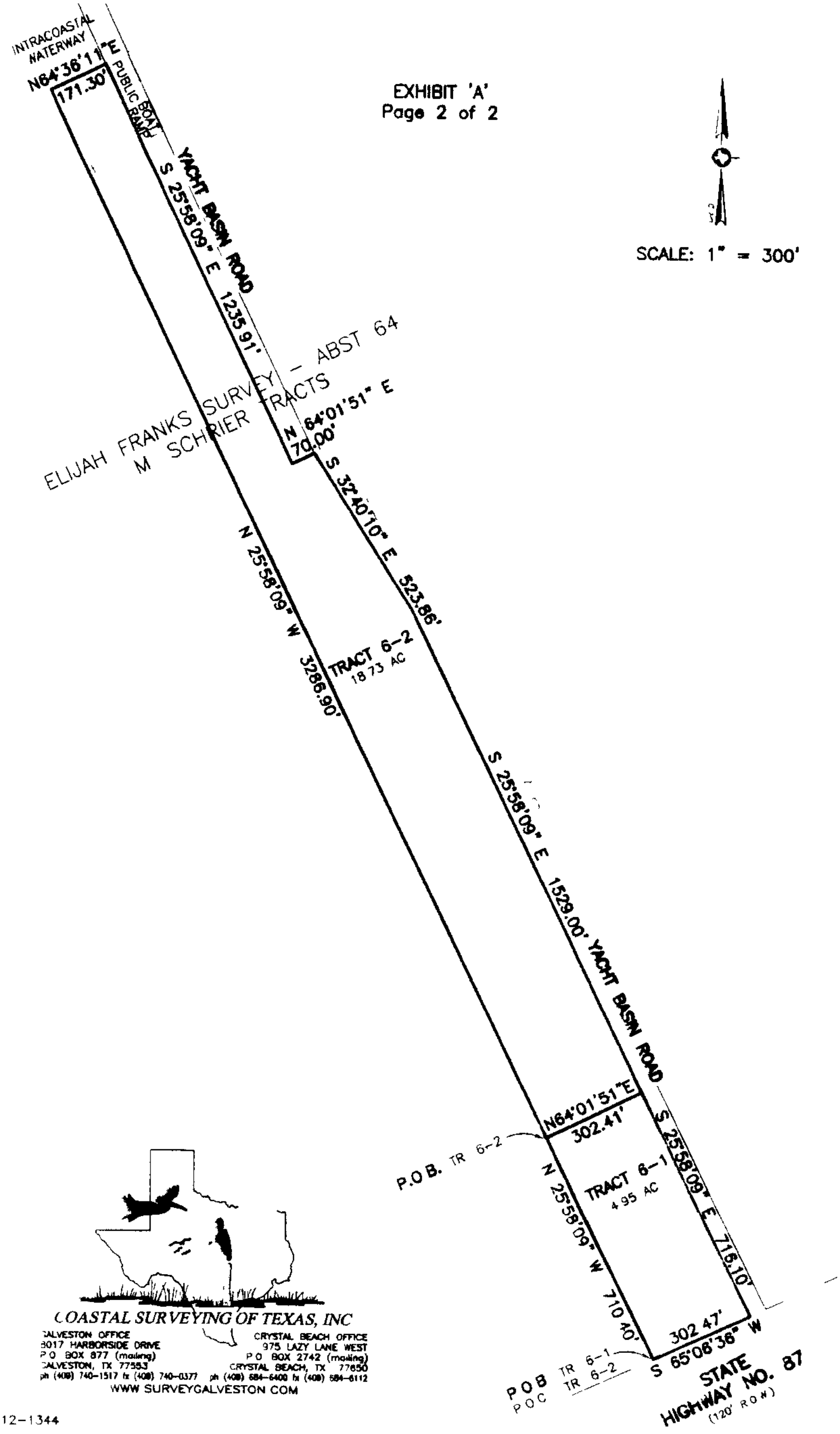
THENCE S 64°01'51" W, a distance of 302 41 feet to the POINT OF BEGINNING, having an area 18 73 Acres This tract may be subject to the rights of the State of Texas

EXHIBIT 'A'
Page 2 of 2



12-1344

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

2012067771

December 11, 2012 01 26 37 PM

FEE $32 00

Dwight D Sullivan, County Clerk

Galveston County, TEXAS

AGENDA ITEM #21a

NO

BACK – UP

PROVIDED

AGENDA ITEM #24a

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department

1 Date of Request 11/19/12	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes No
4 Department Name PARKS + SENIOR SERVICES		5 Department Contact PAUL WIERZBICKI	
6 Description INTER-LOCAL AGREEMENT WITH CITY OF GALVESTON FOR WASHINGTON PARK + 61ST ST RAMP			
7 IFAS PFID No	8 IFAS Req No	9 Orgkey	10 Object Code
11 Vendor		12 Vendor Contract No	
13 Requested Legal Review Yes / No (Explain if No)			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
22 Totals							-

To Be Completed By Purchasing Department

Contract Start Date	Auto Renewal Contract Yes / No	Bid No
Contract End Date	Contract # Issued By Purchasing	

Approved By	Signature	Date
Department Head	[signature]	11/26/12
Purchasing Agent	[signature]	11-26-12
County Legal	Nancy Bozeman	11/26/12
Contract listed in Budget Documentation Yes / No		
County Budget Office	[signature]	11/26/2012

Form Number

Revised 2/25/2012

The State of Texas §
§
County of Galveston §

INTERLOCAL AGREEMENT BETWEEN THE COUNTY OF GALVESTON AND CITY OF GALVESTON RELATING TO THE RECONSTRUCTION AND TRANSFER OF MAINTENANCE OF THE 61ST BOAT RAMP LOCATED WITHIN WASHINGTON PARK AND TO THE TRANSFER OF MAINTENANCE AND RECONSTRUCTION OF THE REMAINDER OF WASHINGTON PARK LOCATED IN THE CITY OF GALVESTON, TEXAS

This Agreement is entered into pursuant to Chapter 791, Texas Government Code and Texas Local Government Code §332 021 It is by and between the **County of Galveston** and the **City of Galveston,** a home-rule municipality, both of which are political subdivisions of the State of Texas. Its purpose is to provide for the reconstruction of improvements by both the **County** and the **City** to all of what is commonly called **Washington Park** as hereinafter set forth and to transfer maintenance and control of the entire **Park** to the **City.**

Preamble

The **County** owns the following tracts of land **("Premises")** that collectively make up all of **Washington Park**, to-wit

A Quit Claim Deed from Standard Dredging Company to the County of Galveston dated December 22, 1931 filed for record and recorded on January 6, 1932 in Book 473 Pages 50 and 51 in the Deed Records of the Office of the County Clerk of Galveston County, Texas, and

B Deed Without Warranty from Standard Dredging Company to the County of Galveston dated December 15, 1932, filed for record on May 21, 1934, and recorded on May 29, 1934 in Book 495 Pages 274 and 275 in the Deed Records in the Office of the County Clerk of Galveston County, Texas

Washington Park consists of two tracts of land separated by water The northerly portion of **Washington Park** is now currently commonly referred to as the **61st Street Boat Ramp** (hereafter called **"Boat Ramp"**) The southerly portion of **Washington Park** is now commonly referred to as **Washington Park** (hereafter called **"Park"**) Both portions are depicted on that one certain aerial photograph attached hereto as Exhibit "A"

Both the **Boat Ramp** and the **Park** are in a state of disrepair and are in need of reconstruction and future upkeep, maintenance and further development The parties desire to reconstruct both the **Boat Ramp** and the **Park** and to transfer complete maintenance and control of both areas to the **City**

The **County** has heretofore developed plans and specifications dated September 30, 2010 prepared by **Aecom** entitled **"61st Street Boat Ramp"** for the reconstruction of the **Boat Ramp** including the parking lot, bulkhead and the piers associated with the Boat Ramp

The **County** has also heretofore developed plans and specifications dated September 30, 2010 prepared by **Aecom** entitled **"Washington Park Recreational Area"** for the reconstruction of the Park including reclaiming land, constructing a bulkhead and a parking lot and landscaping.

In addition, the **County** has acquired both **U.S. Army Corps of Engineers Permit No. 2009-01198**, dated September 7, 2010 and **TxDot Permit No.10-1216R** dated October 18, 2010 enabling the reconstruction of both driveways at the **Boat Ramp** and the **Park.**

In addition, the County had acquired a TxDot landscape permit without an assigned permit number It expired September 22, 2012

The **U.S. Army Corps of Engineers Permit** expires on December 31, 2015

The **TxDot Driveway Permit** expires on November 25, 2012, 2012

The **County** has also acquired a grant from **Texas Parks and Wildlife** and received **FEMA Hurricane Ike PW Funds** both of which are designated to fund a portion of the reconstruction of the **Boat Ramp.**

The **City** will reconstruct the **Park** using **Industrial Development Corporation** grant funds and, if necessary, **City** funds

Accordingly, the Parties agree as follows

I. Reconstruction Duties of County of Boat Ramp and Transfer of Operation, Maintenance and Control of the Boat Ramp and the Park

- The **County**, utilizing **Texas Parks and Wildlife** grant monies, **FEMA Hurricane Ike PW Funds** and other **County** funds will advertise for bids and will reconstruct the **Boat Ramp ("Boat Ramp Project")** in accordance with the **Aecom** plans and specifications described above
- The **Boat Ramp Project** will be completed by no later than the expiration of the **U.S. Army Corp of Engineers Permit**
- If it is required to renew the **TxDot Permit** to reconstruct the **Boat Ramp Project**, the **County** will undertake such efforts as are necessary to renew it

- Upon the **County's** determination of the completion of the **Boat Ramp Project** future operation, maintenance and control of the **Boat Ramp** is automatically transferred to the City of Galveston The **County** will advise the **City** when this determination has been made
- Simultaneously with the automatic transfer of the **Boat Ramp** to the **City**, future operation, maintenance and control of the **Park** is also automatically transferred to the City of Galveston
- The fee simple title to both the **Boat Ramp** and the **Park** will remain with the **County.**

II. Disclaimer of Warranties

- The **County** does not warrant that it has good title to the **Premises** in any manner, express or implied It is the duty and obligation of the **City** to satisfy itself that it is being given sufficient rights by this **Agreement** so as to enable it to construct the improvements described below at the **Park** and operate and maintain the **Boat Ramp** and the **Park** as hereinafter set forth

- The **County** disclaims any warranty, guaranty or representation, oral or written, on
  - i the nature and condition of the **Premises** including, without limitation, the water, soil and geology,
  - ii the suitability of the **Premises** for any and all activities and uses which the **City** may elect to conduct thereon,
  - iii. the existence on the **Premises** of any environmental hazards or conditions thereon (including but not limited to the presence of asbestos, trace metals, heavy metals or other unacceptable or hazardous materials),
  - iv compliance of the **Premises** with applicable environmental laws, rules or regulations, and
  - v compliance of the **Premises** with any laws, ordinances or regulations of any governmental entity or body

- The **County** shall not be liable for any damages or injuries to the **City** or to **City** employees or to third parties engaged by **City** that may be caused by or as a result of failure of title, or the unsuitability of the **Premises** for construction of the improvements by the **City** called for herein

- The **City** acknowledges and agrees
  - i it has inspected the **Premises** and is relying solely on its own investigation of the same and not on any information provided or to be provided by the **County**, and

ii. the **County** is not responsible for any construction defects, errors or omissions on any improvements, if any, already constructed on the **Premises** or for any other conditions affecting the **Premises.**

III. Acceptance of Transfer of Operation, Maintenance and Control of the Boat Ramp and the Park and Reconstruction Duties of the Park by City

- A condition ("**Condition**") of the TPWD grant to renovate the **Boat Ramp** requires the **County** to maintain and operate it so that it is usable by the boating public for a period of 25 years from the date of the final inspection of the grant funded improvements Upon certification of completion of reconstruction of the **Boat Ramp** renovation by the **County** to the **City**, the **City** agrees that this **Condition** is also transferred to the **City** and that it will be responsible for future operation, maintenance, repair, control and reconstruction of both the **Boat Ramp** and the **Park** But, notwithstanding the acceptance of this **Condition**, should the **City** not fulfill its obligations set forth in the preceding sentence the **County** shall also be responsible for fulfilling the terms of the **Condition**

- The **City**, utilizing **Industrial Development Corporation** funds, as well as **City** funds, if necessary will advertise for bids and will reconstruct the **Park** The **Washington Park Project** will be constructed by the **City** in accordance with the **Aecom** plans and specifications described above by no later than two years after the date of the automatic transfer of the operation, maintenance, repair and control of the **Boat Ramp** and the **Park** to the City In addition, the City will landscape and otherwise beautify the areas adjoining the parking lots at both the **Boat Ramp** and the **Park.**

- If it is required to renew either or both the **U.S. Army Corps of Engineers Permit** and/or the **TxDot Permit** to reconstruct the **Washington Park Project**, the **City** will undertake such efforts as are necessary to renew either or both **Permits**

- The **City** will allow the **County** unfettered access to the **Washington Park Project** construction site at all times deemed necessary by the **County** to inspect the reconstruction project

- If the **City** fails to begin and achieve substantial completion of the agreed upon improvements to the **Park** within the two year period set forth above the **County** may, upon sixty (60) days prior notice to **City** terminate this **Agreement** and obtain complete ownership and control of the **Boat Ramp** and the **Park** and all amenities constructed upon either If, during this notice period the **City** substantially completes construction of the agreed upon improvements to the **Park** this notice will become of no force and effect

Alternatively, the **County** can elect to complete the **Washington Park Project** and invoice the **City** for the actual cost of construction incurred by the **County** plus administrative costs of 10% which the **City** agrees to pay the **County** in accordance with the terms and provisions of what is commonly called the **Texas Prompt Payment Act.**

- All construction of the **Washington Park Project** shall be at City's sole cost and expense. Such construction will be built in a good and workmanlike manner and in compliance with both the plans and specifications prepared by **Aecom** described above as well as well as the regulations and requirements of all regulatory authorities having jurisdiction over such construction

- The **City** will also, during construction of the **Washington Park Project**, make such modifications to the **Park**, including constructing drainage ditches and sewer lines, as are required to provide adequate drainage for the **Park** that will not negatively impact any other lands

- All utility connections and other expenses incurred from connecting existing utilities to the **Park** shall be at City's expense On site ground water wells and sewer treatment plants will not be permitted All utility lines will be underground.

- The **City** is solely responsible for prohibiting all pedestrian and vehicular traffic not related to construction activities upon the **Park** during construction of the **Washington Park Project.**

IV. Ownership of Improvements located upon the Boat Ramp and Washington Park

- Notwithstanding the **City's** obligation to manage, control, operate and maintain the improvements on the **Boat Ramp,** ownership of the improvements located and all materials used in all future repairs upon the **Boat Ramp** shall belong to and remain the property of the **County** during the full term of this **Agreement.**

- The improvements erected or placed upon the **Park** by **City** as part of the **Washington Park Project** shall belong to and remain the property of the **City** during the full term of this **Agreement**. The **City** will not commit waste upon, remove or voluntarily destroy the improvements unless to reconstruct other improvements that are required to properly manage, control, operate and maintain the **Park** Upon termination of this Agreement, whether by expiration of its term, by voluntary cancellation by **City**, by early termination or cancellation by **County** by reason of default by **City** or for any other reason, the title to the improvements located upon the **Park** shall vest in the **County**

V. **Maintenance, Insurance and Other Duties and Responsibilities of Parties**

- The **City** covenants and agrees, at the **City's** sole cost and expense, to manage, control, operate and maintain both the **Boat Ramp** and the **Park** and all improvements, located thereon in good , clean, well maintained and safe condition
- The **City** also agrees to make, at its sole cost and expense, all repairs and replacements necessary (other than capital improvements) to keep the improvements and operations at both the **Boat Ramp** and the **Park** in good, clean, well maintained and safe condition
- The **City** shall keep the **Boat Ramp** and the **Park** and all property of the **City** and the **County** free from any and all liens arising out of any work performed, materials furnished, or obligations incurred by or for the **City** while this **Agreement** is in effect and agrees to bond against or discharge any mechanic's or material men's liens or other claims within ten (10) days after written request therefore by **County.**
- Other than capital expenditures that may be negotiated by and between the parties, the **City** agrees that the County shall not be responsible for expenses related to the maintenance and operation of the **Boat Ramp** or the **Park.** Nor shall the **County** have any responsibility for pedestrian and vehicular management and control.
- The **City** has no right to mortgage or convey, by Deed of Trust or other security instrument, the rights of **City** created by this Agreement and nothing herein contained shall be construed as to grant to **City** the right to mortgage or execute a deed of trust upon or otherwise encumber the **Boat Ramp,** the **Park** or this **Agreement.**
- **City** agrees that no other use of the **Boat Ramp** or the **Park** shall be permitted other than the rights herein specifically granted in this **Agreement** unless consent to such use is obtained in writing from County
- The right of **City** to occupy, manage and control the **Boat Ramp** and the **Park** shall continue only so long as all of the terms of this **Agreement** are strictly and promptly complied with by the **City.**
- The **City** may, from time to time, upon receiving prior written approval from the **County**, make such changes, alterations and additions to the **Boat Ramp** and to the **Park** as it deems desirable for the purpose of maintaining both as a public park facility
- The use and occupation of the **Boat Ramp** and the **Park** shall be subject to any and all rules and regulations as may be described by the **City** from time to time

- The **City** will provide trash barrels, trash pick-up services, vegetation control and litter and graffiti abatement at both the **Boat Ramp** and the **Park.**
- The **City** will prevent sail boats, motor boats, jet skis, pontoons, and other similar water craft from attaching or mooring to either the Boat Ramp or the Park or to anchor within fifty (50) feet seaward of the shoreline overnight. Failure to do so interferes with the public's use of the **Boat Ramp** and the **Park** for boat launching, fishing, crabbing and other recreational purposes
- Throughout the term of this Agreement, the **City** shall maintain statutory workers' compensation coverage on its employees. The City is self-insured through a governmental risk pool against public liability for injury to persons (including death) or damage to property resulting from or arising out of, or alleged to have arisen from or resulted from, the operations of the **City** in or about the **Boat Ramp** and the **Park** in an amount not less than the maximum amount of liability exposure to which the **City** is exposed by virtue of Chapter 101 of the Texas Civil Practice and Remedies Code as it currently exists or to which it may be amended
- The **City** will maintain fire and extended coverage (i e. fire, vandalism and general liability) , wind and hail coverage on all buildings and other improvements located at the **Boat Ramp** and the **Park** The amount of such coverage shall be at least 80% *of* replacement value of the buildings and improvements
- The **City** shall name the **County** as an additional insured under all insurance policies, with the exception of workers' compensation, and said policies shall provide for thirty (30) days' notice to the **County** prior to any cancellation or revision of said policies Such policies shall be in form and with an insurance earner acceptable to the **County** The **City** shall at all times provide the **County** with a copy of all such insurance policies with current copies of certificates of insurance providing for thirty (30) days' notice prior to cancellation
- Any insurance proceeds received by the parties from any insurance on buildings and other improvements located at the **Boat Ramp** and the **Park** will, to the greatest extent practicable, be committed to rebuilding and repairing such damaged buildings and improvements If such damaged buildings or improvements are incapable of being repaired or reconstructed, such proceeds will be used in constructing new buildings and improvements at the **Boat Ramp** and at the **Park.** If such new construction is not viable (due to erosion or other factors beyond the control of the parties), the proceeds will be divided between the City and County as mutually agreed
- In the event any improvements located upon the **Boat Ramp** or the **Park** are damaged or destroyed by storm, hurricane, fire, wind, or other natural or man-made disaster the parties will work with and assist each other in submitting insurance claims or requests

to **FEMA** for disaster fund relief

- The **County** agrees the **City** may, if **Texas Parks and Wildlife Grant** and **FEMA PW** terms and conditions permit, charge the public to park, fish, or crab at the **Boat Ramp** and at the **Park** All revenues generated from such fees will be dedicated 100% toward the maintenance of and operational expenses related to the management and control of existing improvements located upon the **Boat Ramp** and the **Park** and for future capital improvement projects located upon both locations

- The **Texas Parks and Wildlife Grant** funding comes from the federal gasoline taxes paid by boaters when they purchase fuel for their boats As such, charging a fee to utilize a grant funded boat ramp is discouraged If the **City** charges a fee, the collected revenue cannot exceed the annual cost to the **City** to maintain and operate the **Boat Ramp.** The **City** agrees to fully document and account for these annual costs and revenues to allow **Texas Parks and Wildlife** representatives unfettered access to its records for purposes of auditing the same

- The **County** also agrees the **City** may enter into such mobile concession agreements it deems appropriate on the parking lots or on lands located adjacent the parking lots at both the **Boat Ramp** and at the **Park** on the following conditions

    i such mobile concessions are not prohibited by **Texas Parks and Wildlife Grant** or **FEMA PW** terms and conditions;

    ii prior approval of each concession agreement is obtained from the **County;**

    iii no structure or other item associated with such mobile concession agreement will be physically attached to any portion of the **Boat Ramp** or the **Park;**

    iv no concession agreements will be permitted that utilize the water, e g no rental of sailboats, jet skis, water skiing, parasailing, etc

    v the concession agreements will be for no longer than periods of two years each,

    vi all revenues generated from the mobile concession agreements will be dedicated 100% toward the maintenance of and operational expenses related to the management and control of existing improvements located upon the **Boat Ramp** and the **Park** and for future capital improvement projects located upon both locations, and

    vii the concession agreements will provide that, at the option of the **County,** they will expire upon expiration or early termination of this **Agreement.**

- The **City** will keep full, complete and proper books, records and accounts of all gross receipts and expenditures on both the **Boat Ramp** and the **Park** These books, records, and accounts shall be open to inspection by the **County, Texas Parks and Wildlife** and **FEMA** or their authorized representatives or agents during normal business hours In Addition, the **City** will annually report to the **County** by no later than March 31st of each year the amount of revenues received by the **Boat Ramp** and the **Park** and the amount and purpose of each expenditure of such revenues

- The **City** is responsible for controlling all pedestrian and vehicular activity upon both the **Boat Ramp** and the **Park.** The **City** will post signs prohibiting the use of skateboards, roller skates, rollerblades, surreys, or other man propelled devices upon the **Boat Ramp** and the **Park.**

- The **City** shall comply with all applicable federal, state, and local laws, ordinances, restrictions, rules and regulations, including but not limited to those issued by **Texas Parks and Wildlife** and the **General Land Office.**

- The **City** agrees that representatives of the **County** may enter upon the **Boat Ramp** and the **Park** at any time they determine necessary to inspect both locations to ensure that the **City** is operating and maintaining them in compliance with all maintenance and other requirements set forth in this **Agreement.**

- The **City** may enter into advertising relative to the **Boat Ramp** and to the **Park** that is consistent with the dignified approach necessitated by the reputation of a public park

- The name of the **Boat Ramp** as the **61st Street Boat Ramp** and the name of the **Park** as **Washington Park** shall remain as such in the future and these names may not be changed without the advance written approval of both parties The **City** also agrees that all areas of the **Boat Ramp** and the **Park** shall be permanently identified as being publicly owned by the **County** and operated by the **City** as a public outdoor recreational facility in all signs, literature and advertising so as not to mislead the public into believing that the area is private Such signs shall also contain such other information as is mutually agreed upon by the parties including that they are a **City of Galveston/Galveston County Public Boat Ramp and Public Park**

VI. Term of Agreement

- This Agreement shall be for a term of 30 years, beginning on the date of execution by the last party to sign this Agreement and terminating at midnight on the expiration of 30 years thereafter

- This Agreement may not be expanded or renewed except as may then be agreed to by the parties in writing

VII. Termination of Agreement by the County

- This Agreement may be terminated by the **County,** at its election, upon the happening of any of the following events
  - i lapse in required insurance coverage by the **City** or failure by the **City** to strictly comply with any provisions in this Agreement related to insurance coverage,
  - ii failure of the **City** to maintain the **Boat Ramp** and/or the **Park** as well as all improvements located thereon in a good, clean, well maintained and safe condition,
  - iii failure of the **City** to abide by all applicable federal, state and local laws, ordinances, restrictions, rules and regulations, including but not limited to those issued by **Texas Parks and Wildlife** and the **General Land Office**
  - iv the commission by the **City** of any act of insolvency, the filing of any voluntary or involuntary actions concerning the **City** under any state or federal bankruptcy or other laws for the protection of debtors, an assignment by the **City** for the benefit of creditors or the appointment of a receiver for the **City;** or
  - v. for any reason, or no reason or for convenience upon six (6) prior written months' written notice given to the **City.**

VIII. Termination of Agreement by the City

- The **City** shall also have the right to terminate this **Agreement** for any reason or no reason or for convenience by giving six (6) months written notice to the **County** no later than March 31st of the year in which the **City** decides to terminate

- At the expiration or early termination of this **Agreement,** the management and control of the **Boat Ramp** and the **Park** will be returned to the **County** in a well maintained condition and free of any indebtedness and liens. And if the County so desires, third party mobile concessions agreements

IX. Notice

- Any notice required to be given shall be deemed to have been duly given if and when hand delivered or enclosed in a properly sealed envelope, or wrapper, addressed and deposited postage prepaid in a post office or branch post office regularly maintained by the United States Government, to the following addresses

If to the **County:**

County Judge
Galveston County
Galveston County Courthouse
722 Moody, 2nd Floor
Galveston, Texas 77550

with a copy to

Director County Legal
Galveston County
Galveston County Courthouse
722 Moody, 5th Floor
Galveston, Texas 77550

If to the **City**

City Manager
City of Galveston
City Hall
823 Rosenberg, 2nd Floor
Galveston, Texas 77550

with a copy to

City Attorney
City of Galveston
City Hall
823 Rosenberg, 2nd Floor
Galveston, Texas 77550

or at such other address as the **County** or the **City** may from time to time designate by written notice to each other

X. Designated Representatives

- The **City's Authorized Representative** for all purposes of this Agreement means the **City Manager** or his/her written designee

- The **County's Authorized Representative** for all purposes of this Agreement means the **Director of Parks and Senior Services** or his/her written designee.

XI. General Provisions

- This **Agreement** is not a contract of employment No relationship of employer and employee exists between the **County** and the **City** The **City** shall at all times be deemed to be an independent contractor Neither party shall be liable for any acts or omissions of the other party, its employees, or its agents in performing the duties prescribed herein

- Any waiver of the **County** of any default or breach of this **Agreement** shall not be construed to be a continuing waiver of such default or breach nor as a waiver of permission, expressed or implied, or any other or subsequent default or breach

- The **County** and the **City** shall be excused from performing any of their respective duties, obligations, or undertakings provided for in this **Agreement** in the event and so long as performance of such duty, obligation, or undertaking is prevented, delayed, retarded, or hindered by an Act of God, epidemic, fire, earthquake, flood, explosion, action of civil commotion, sabotage, malicious mischief, stake, lockout, action of labor unions, condemnation, governmental restriction, order of civil or military or naval authorities, embargo, impossibility of obtaining materials, or any other cause, whether similar or dissimilar to the foregoing, not within the reasonable control of the party in question Either party entitled to such extension hereunder shall give prompt written notice to the other party as soon as possible after the occurrence causing such delay asserting its claim of right to such extension and the reasons therefore

- Any disputes between the parties relating to this portion of the Agreement may be submitted to mediation in Galveston, Texas The cost of the mediation proceedings and the cost of the mediator will be split between the parties

- This Agreement shall not be assigned whole or in part. The only exception that is permitted is that the **City** may enter into mobile concession agreements with third parties for the operation of the concession stands located at the **Boat Ramp** and/or the **Park.**

- All references to the parties of this **Agreement** and all covenants, conditions and agreements of this **Agreement** shall apply to and be binding upon **County** and **City** and their respective legal representatives, successors and assigns (when assignment is made in accordance with the provisions hereof) as if they were in each case fully named and stated In this Agreement, both the **County** and the

City may be referred to in the singular, plural and/or neuter gender However, such words and all other terms and words used in this **Agreement**, regardless of the number and gender in which they are used, shall be deemed and construed to include any number (singular and plural) and any other gender (masculine, feminine and neuter) as the sense of the writing herein may require number and gender

- The parties hereto agree that in no event shall any members of the **Galveston County Commissioners' Court** or the **Galveston City Council** or their officers, agents, and employees ever be held individually liable for any term of this **Agreement,** any activities associated herewith, or any breach hereof

- Anything in this **Agreement** to the contrary notwithstanding, a) in no event shall any provision of this **Agreement** be construed to impose, create or increase any liability to any third party whatsoever; and b) in no manner shall this **Agreement** be construed to operate for the benefit of any third party

- This **Agreement** constitutes the sole and only agreement of the parties hereto and supersedes any prior understanding or written or oral agreement between the parties representing the within subject matter

- Each party represents that it has full authorization to enter into this **Agreement** as required by law.

- The parties agree to pay any payments made pursuant to this **Agreement** from current revenues or, in the case of the **City,** from revenues generated by its **Industrial Development Corporation** during the next two (2) years

- In case any one or more of the provisions contained in the **Agreement** shall for any reason be held invalid, illegal or unenforceable in any respect, such fact shall not affect any other provision thereof and this **Agreement** shall be construed as if the stricken provision had never been contained herein

- Each party to this **Agreement** agrees that in any legal action brought hereunder, venue shall lie in Galveston County, Texas. The validity of this **Agreement** and of its terms and provision, as well as the rights and duties of the parties, shall be governed by the laws of the State of Texas

- It is expressly understood and agreed that under this **Agreement** neither party waives, not shall be deemed to waive, any immunity or defense that would otherwise be available to it against claims arising in the exercise of governmental powers and functions

- This **Agreement** may be executed in multiple originals.

The Rest of This Page has Intentionally Been Left Blank.

Executed this 11th day of December, 2012.

County of Galveston

By: ______________________
Mark A. Henry
County Judge

Attest:

____
Dwight D. Sullivan
County Clerk

Executed this 15th day of October, 2012.

City of Galveston

APPROVED AS TO FORM:

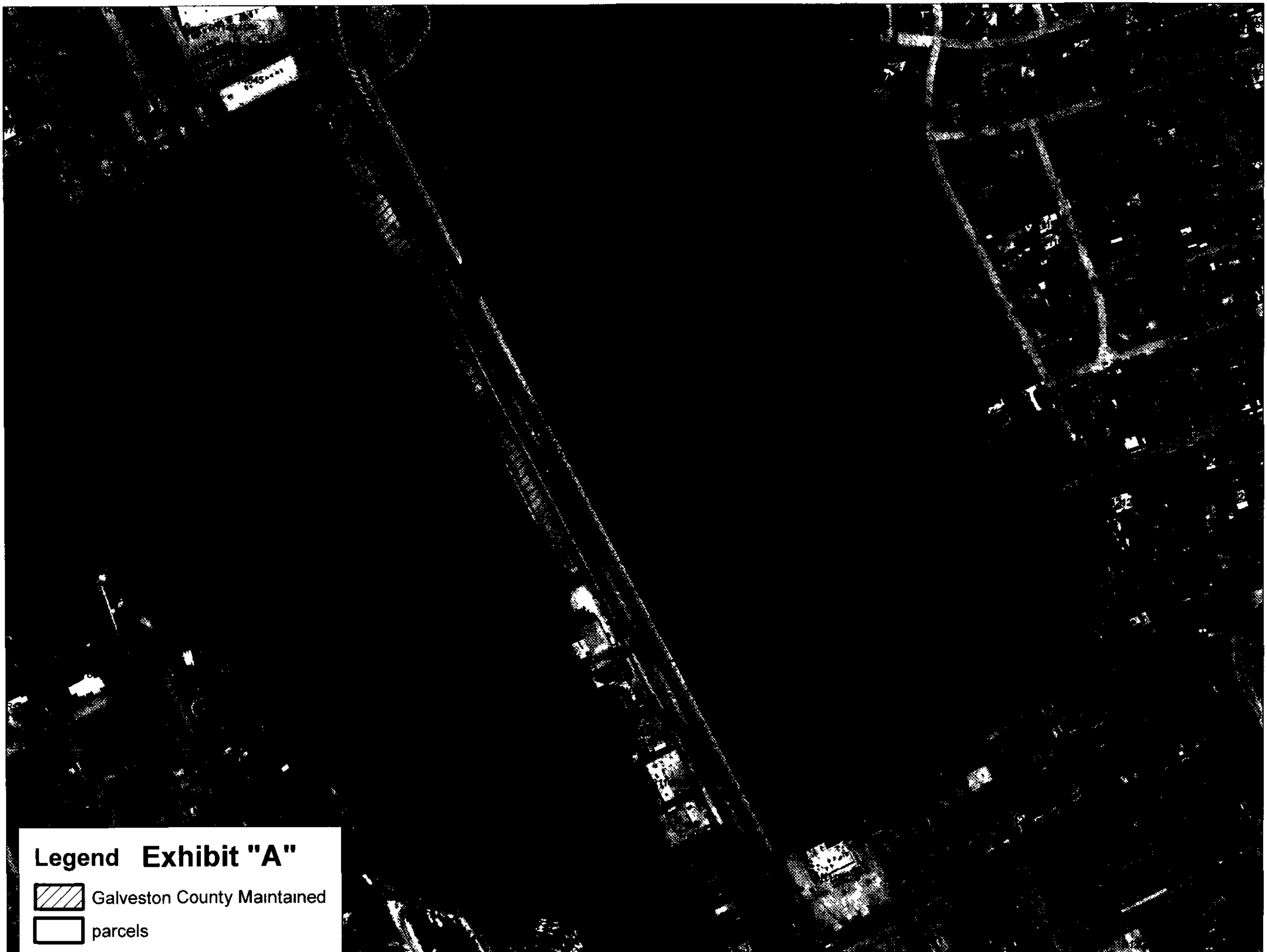
ASST. CITY ATTORNEY

By: ______________________
Michael Kovacs
City Manager

Attest:

____
Douglas Godinich
City Secretary

Word/Depts/Parks/Washington Park City of Galveston Agreement Proposed Final October 10, 2012 Clean



Legend
Exhibit "A"
Galveston County Maintained
parcels

AGENDA ITEM #24b

COUNTY of GALVESTON
Department of Parks & Senior Services

4102 Main Street (FM 519) • LaMarque, Texas 77568
Phone (409) 934-8100 • Fax: (409) 934-8140
www galvestonparks-seniors org

November 28, 2012

Hon Mark A. Henry, County Judge
Hon County Commissioners' Court
Galveston County Courthouse
Galveston, Texas 77550

Re Notice of Termination of Fat Boys' Fishing Paradise Concession Agreement
Proposed Purchase of Improvements Located at Fat Boys' Fishing Paradise Concession Agreement

Gentlemen

This letter is to request you to authorize County Legal to give the owners of the Concession Agreement known as Fat Boys' Fishing Paradise thirty (30) days notice of termination of their existing agreement with the County We also ask that you authorize County Legal to extend an offer on behalf of the County to purchase the improvements located upon the grounds upon which Fat Boys' is located for Twenty Five Thousand Dollars ($25,000) In the event the owners are not interested in selling the Improvements to the County for that price we ask that County Legal be authorized to direct that such improvements be removed by the Concessionaires at their expense

On January 20, 1993, effective August 1, 1992, the Galveston County Beach Park Board of Trustees (Park Board) entered into a Concession Agreement with Robert Pike and U.T. Alexander, doing business as Fat Boys' Fishing Paradise.

On December 19, 1996 the Commissioners' Court terminated the contract Galveston County had with the Park Board for the management and control of all County owned or leased parks, boat ramps, and other facilities In that same agreement the Board conveyed and assigned to the County all right title and interest it had in any and all concession agreements, leases or other contracts covering County owned or leased parks, boat ramps and other similar facilities The Fat Boys' Fishing Paradise Concession Agreement was included The County's Parks Department took over administration of the Agreement.

The 1992 Concession Agreement contained the following language relating to the improvements

> All improvements already in place at the time of the execution of this agreement are owned by the Concessionaire who has purchased them from the party previously occupying the premises

> Upon termination of this Agreement, whether by expiration of its own term the Concessionaire will promptly remove all improvements located upon the premises and assure for their proper disposal off the site at Concessionaire's sole cost Such destruction and disposal will occur unless directed otherwise by the Board and/or the General Land Office of the State of Texas

In addition, the Concession Agreement contained the following language relating to the sanitary sewer line that was installed in July of 2011

> Board and Concessionaire agree that a sewer line will be installed to serve the concession facility Upon termination of this Agreement, sewer line (sic) shall be left in working condition and all information and records concerning its maintenance and operations shall be turned over to the Board

The 1992 Concession Agreement expired July 30, 2011 By letter dated July 18, 2011, the Parks Department and Mr. Pike of Fat Boys' who had been negotiating the County's purchase of the Concession Agreement improvements requested an extension of the Agreement on a month to month basis for a few months You approved this request at your meeting held on July 26, 2011

On October 30, 2012 you authorized execution of Coastal Surface Lease SL20120008 with the Texas General Land Office The lease, which became effective January 1, 2012 and which ends December 31, 2031 covers the premises upon which Fat Boys' improvements are located

You have indicated that you desire the Parks Department to advertise for bids and to enter into a new Concession Agreement for a period of time that corresponds with or is shorter than the twenty (20) year Coastal Surface Lease. But, unless the issue of ownership or removal of the improvements is resolved the Parks Department is concerned that the County will not be able to advertise for bids on a level playing field to all unless the County either purchases the improvements or has them removed

Attached to this letter is a proposed letter to be sent to the owners of Fat Boys Fishing Paradise Your approval of our request and authorizing County Legal to send the letter is appreciated

Should you have any questions, please do not hesitate to contact us

Sincerely yours,

Kelly Snook, PLA
Director, County Parks and
Senior Services

Harvey Bazaman
Director, County Legal

Galveston County
Legal Department

COUNTY COURTHOUSE
722 MOODY 5th FLOOR
GALVESTON, TEXAS 77550-2317

HARVEY BAZAMAN

Donald Glywasky
Barry C Willey
Myrna S Reingold

Galveston Line
(409) 770-5562

Houston Line
(281) 316-8300

Fax Line
(409) 770-5560

December 11, 2012

Mr Robert Pike
Mr U T Alexander
Fat Boys' Fishing Paradise
1916 Tracy Lynn Lane
Alvin, Texas 77551

Certified Mail R.R.R.

In Re Notice of Termination of Fat Boys' Fishing Paradise Concession Agreement
Offer to Purchase Improvements
Notice to Remove Improvements

Dear Mr Pike and Mr Alexander

At its meeting of December 11, 2102 the Commissioners' Court authorized County Legal to give you thirty (30) days notice of termination of your Concession Agreement with Galveston County The Court also authorized us to offer you $25,000 for all fixed improvements owned by you that are located upon the premises described in Texas General Land Office Coastal Surface Lease No SL 201220008 These improvements consist of the two (2) story frame building, window unit A/C's, the attached covered area on the north side of the building which houses numerous bait tanks and plumbing, the bait tanks and plumbing, the septic system-lift station that aids the sewer line servicing the building, whatever ownership you have in the sewer line that serves the building and other areas and all other fixed improvements The County is not interested in purchasing the name of your business or your inventory, fixtures, refrigerators or other appliances

This offer is conditioned upon you being able to convey the improvements free and clear of any lien, mortgage or other form of indebtedness and environmental issues Also, all ad valorem taxes need to be paid through 2012 The County also reserves the right, at its expense, to obtain a leasehold or other title policy from a title company of its choosing if one is commercially available

This offer remains open until 5 00 p m on January 11, 2013 If you decide to accept this offer, please advise us as soon as possible of your decision in writing The County would like to close the purchase and take possession of the building by no later than January 31, 2013

If you decline to accept this offer please let us know of your decision in writing as soon as possible Should you not accept this offer the Commissioners' Court has also authorized us via this letter to advise you that, upon expiration of your agreement, you are to cease operations and remove all improvements as well as the contents of your building described above with the exception of the sewer line which is to be left in working order by no later than February 28, 2013

Sincerely yours,

Harvey Bazaman
Director, County Legal

Cc Mr Robert Pike
Mr U T Alexander
Route 2 Box 1028
Dickinson, Texas 77539

Certified Mail R.R.R.

Mr Robert Pike
Mr U T Alexander
601 Jones Lake Road
Tiki Island, Texas 77554

Certified Mail R.R.R.

Hon Mark Henry, County Judge
Hon County Commissioners

AGENDA
ITEM
#24c

Galveston County
Legal Department

COUNTY COURTHOUSE
722 MOODY 5th FLOOR
GALVESTON, TEXAS 77550-2317

HARVEY BAZAMAN

Donald Glywasky
Barry C Willey
Myrna S Reingold

Galveston Line
(409) 770-5562

Houston Line
(281) 316-8300

Fax Line
(409) 770-5560

November 28, 2012

Hon Mark Henry
Hon County Commissioners' Court
Galveston County Courthouse
Galveston, Texas 77550

Re Proposed Settlement for claims by Kristy Slaten, individually, and on behalf of minor family members, as a result of an automobile accident

Gentlemen

This is request is to recommend a settlement involving Kristy Slaten and her minor children, Ciale Travis, Cierra Slaten, and Chanse Slaten

On October 11, 2011, at 5 15 p m , Ms Slaten and her children were traveling on Ave E at 15th St in Bacliff, Texas After Ms Slaten's vehicle entered the intersection, a marked vehicle driven by a Sheriff's Deputy collided with the side of Ms Slaten s vehicle, knocking it off the road

Counsel for Ms Slaten sent demands for each individual in the accident, the sum of the demands totaling $125,000 00 I have negotiated settlement figures in the following amounts Kristy Slaten - $11,646 00, Ciale Travis - $7939 80, Cierra Slaten - $3947 00, Chanse Slaten $3267 00 I have also negotiated the settlement for property damage and the loss use of her vehicle in the amount of $6,689 61

If you choose to approve these settlements, the appropriate releases by the claimants will be obtained in exchange for the stated payments

Should you have any questions, please call

Sincerely,

Barry C Willey

Barry C Willey

BCW/ 11-102
cc Sheriff Freddie Poor
Rufus Crowder, Purchasing Agent

AGENDA
ITEM
#24d

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department			
1 Date of Request 11/30/12	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes / No
4 Department Name Legal		5 Department Contact	
6 Description Lease with Shearn Moody Plaza-for 1st + 5th Floors ~~Lease~~ Interlocal with Texas Health + Human Services for 1st + 5th floor			
7 IFAS PEID No	8 IFAS Req No	9 Orgkey 1101 110000	10 Object Code 5426250
11 Vendor		12 Vendor Contract No	
13 Requested Legal Review Yes / No (Explain if No)			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
General Fund	1101	350,000					
22 Totals							

To Be Completed By Purchasing Department

Contract Start Date 1/1/13	Auto Renewal Contract Yes / No	Bid No
Contract End Date 12/31/27	Contract # Issued By Purchasing	

Approved By	Signature	Date
Department Head	[signature]	11/30/12
Purchasing Agent	[signature]	11-30-12
County Legal	[signature]	11/30/12

Contract listed in Budget Documentation Yes / No

County Budget Office	[signature]	11/30/2012

Form Number

Revised 9 25 2012

Shearn Moody Plaza
1st and 5th Floor Lease Agreement

The State of Texas §

County of Galveston §

This Lease is by and between the **Shearn Moody Plaza Corporation,** successor in interest to **The Moody Foundation,** a Charitable Foundation, **as Lessor, and Galveston County**, a Political Subdivision of the State of Texas, for and on behalf of the **Texas Health and Human Services Commission** as **Lessee.**

W I T N E S S E T H :

1. **The Leased Premises.** **Lessor** does hereby demise and lease unto **Lessee** 21,880 square feet on the fifth (5th) floor and 3,548 square feet on the first (1st) floor in that certain building situated on Rosenberg Avenue and Strand, and being in Blocks 625 and 685, in the City of Galveston, Texas, and known" as "Shearn Moody Plaza", for the term, at the rental and upon the provisions hereinafter stated

2. **Term of Lease.** The primary term of this Lease, unless terminated earlier as hereinafter set forth, shall be for a period of fifteen years (15) beginning January 1, 2013 and ending December 31, 2027

3. **Purpose.** The leased premises shall be used solely for the purpose of the administration of State, District or County governments

4. **Designated Representatives.** The **Lessee's** Designated Representative for invoicing of Rental Payments and for review of such invoices is its County Auditor. The **Lessee's** Designated Representative for daily operations matters is the Director of Facilities The **Lessor's** Designated Representative is the President of the **Shearn Moody Plaza Corporation**

5. **Rental.** Rental for the leased premises shall be hereinafter provided, but in no event shall exceed the amounts prescribed in that one certain Internal Revenue Service

ruling issued to The Moody Foundation, dated May 6, 1977, nor subsequent Internal Revenue Service Rulings, concerning or affecting rental charges to be charged by **Lessor** to public and/or charitable lessees of the leased premises. These amounts are called

a) Operation and Maintenance Rental - The **Lessor** will charge an amount of rental sufficient only to recover the **Lessee's** pro rata cost of all expenses incurred for operation and maintenance of the building, including but not limited to heating, air conditioning, maintenance of the grounds, mechanical work, janitorial service and general upkeep of the complex **Lessee** will pay on a monthly basis **Lessee's** pro rata portion of the rental as set forth in the **Lessor's** monthly rental statement to be mailed to **Lessee** Such payment of rental shall be made within thirty (30) calendar days after receipt of such monthly written statement from **Lessor.** The rental charge to **Lessee** will be determined monthly by **Lessor** using a cost accounting system The rent shall begin to accrue on the 1st day of January 2013, and such rent shall continue to accrue during the primary term of this Lease, and any extensions thereof. Upon request, **Lessor** shall make available for inspection to **Lessee** such supporting data regarding the costs referred to herein, as may reasonably be required by **Lessee** to verify the accuracy of any statement for rental

6. **Effective Date of Lease.** The effective date of this Lease Contract shall be January 1, 2013

7. **Lessee's Covenants.** This Lease is made upon the following additional express conditions and limitations, each of which **Lessee** covenants will be observed and performed throughout the term of this Lease and any extension thereof, and violation of any covenant thereof followed by written notice so declaring given by the **Lessor's** duly authorized agent, if not cured within thirty (30) days of such notice shall give **Lessor** the option to terminate this Lease

a) The premises hereby leased shall be used and occupied by **Lessee** for the transaction of its above stated purpose and for no other

b) **Lessee** will pay rentals at the time and in the amounts aforesaid.

c) **Lessee** shall make no alterations, additions or improvements in, to or about the leased premises, without the prior written consent of the **Lessor.**

d) Without the prior written consent of **Lessor**, neither this Lease nor any part thereof shall be assigned, nor shall any right or interest thereto or therein be conferred on or vested in anyone, other than the **Lessee** whether by operation of law, or otherwise, nor shall Lessee let, sublet, underlet or permit the leased premises, or any part thereof, without such prior written consent of **Lessor.**

e) **Lessee** will conform to such reasonable regulations which may be established from time to time by **Lessor**, for the general convenience of all of the tenants of Shearn Moody Plaza.

f) **Lessee** shall maintain in tenantable condition the leased premises and at the expiration or other termination of this Lease, shall surrender said premises and fixtures in as good condition as reasonable use will permit All injury to the building or fixtures caused by moving the property of the **Lessee** in or out of said building, and all breakage or any other injury done by the **Lessee**, or its agents, employees or invitees, whether authorized or unauthorized by **Lessee**, as well as any damage caused by **Lessee** that causes the overflow or escape of water, steam, gas, electricity or other substances, shall be repaired by the **Lessor**, at the expense of the **Lessee** The cost thereof shall be payable to the **Lessor** upon presentation to the Lessee of a bill for the same Contested damage costs will be mediated by the parties by a mediator acceptable to both parties in Galveston, Texas and expenses of mediation will be jointly shared

g) **Lessee** will permit **Lessor**, at all reasonable times, to enter upon and examine the leased premises for the purposes of inspection and any repairs which **Lessor** deems necessary for the protection of the building and leased premises

8. **<u>Lessor's Covenants.</u>** **Lessor** covenants with **Lessee** as follows

a) **Lessee** shall peaceably hold and enjoy the leased premises

b) **Lessor** shall make available for **Lessee** the necessary services for the operation and maintenance of the building, including but not limited to heating, air conditioning, mechanical work, janitorial service and general upkeep of the complex.

c) In the event the leased premises hereunder or any part thereof shall at any time during the term hereof be damaged by fire or other such casualty, so as to be unfit for use and occupancy, the rent provided herein, or a just and proportionate part thereof, according to the nature and extent of the damage sustained, shall be abated until the said premises shall have been duly repaired and restored by **Lessor**, or, in case the said building shall be substantially destroyed, then, by mutual agreement between the parties, this Lease may be terminated and **Lessee** shall be relieved of all obligations under this Lease

d) **Lessor** will be responsible to pay all taxes of whatever nature, levied and assessed and to be levied or assessed, on or against the Leased Premises and improvements during the term of the lease

e) **Lessor** will be responsible for keeping the Leased Premises, property and buildings in good repair and condition during the continuance of the term of this lease. During the continuance of the term of this lease, said maintenance is to include, but is not limited to, the following services basic electrical wiring/circuit breakers, repair and patch walls ceiling and floor surfaces, painting as needed; replacement of broken window glass, repair of window shades, blinds and/or drapes, fasteners and sash cord or chains, roof and ceiling leaks; building exterior, interior; plumbing, heating, air conditioning and ventilating equipment and filters, fire protection equipment, miscellaneous valves, woodwork, locks, floor surfaces and coverings; lighting fixtures, and the replacement of all defective or burned-out light bulbs, fluorescent tubes, ballasts and starters In the event **Lessor** fails to keep the Leased Premises in good repair and condition and **HHSC** or the **County** need to make such repairs the reasonable cost of such repairs may be deducted from the amounts due and owing by the County under this Lease

f) **Lessor** warrants that the Leased Premises is not in violation of any city, state or local ordinance or statute or any restriction imposed against the Leased Premises

g) **Lessor** will be responsible for any damages or personal injuries intentionally or negligently caused to any **Lessee** or **HHSC** employees, agents, invitees, clients and customers by the **Lessor** or its employees, agents, contractors or as a result of building defects which are under the care and control of the **Lessor.**

9. **Parking.** **Lessor** shall provide a number of parking spaces on the grounds of the Shearn Moody Plaza, which shall be allocated to all lessees of the Shearn Moody Plaza on the basis of each lessee's needs, taking into account the needs of other of its lessees and the number of spaces available

10. **Early Termination by Lessee.** Anything contained within the above lease notwithstanding, if funds are not appropriated for the payment of its annual payments hereinabove set forth, **Lessee** may terminate its obligation to **Lessor** at the end of **HHSC's** fiscal year which is August 31st. **Lessee** agrees to give written notice to **Lessor** at least sixty (60) days prior to the end of the fiscal year in which the decision was made by **Lessee** to so terminate and **Lessor** will then have the right to take occupation of the demised premises at the end of such calendar year In addition, **Lessee** may terminate this lease for any reason or no reason or for convenience upon one hundred twenty (120) days prior written notice to **Lessor** of its intention to terminate.

11. Default In the event the **Lessee** or **HHSC** shall breach or be in default in the performance of any of the covenants or obligations imposed upon the **Lessee** or **HHSC** by this Lease or the Interlocal Agreement between **HHSC** and **Lessee** and shall remain in default for a period of 30 days after written notice from **Lessor to** both the Lessee and **HHSC** of such default, **Lessor** shall have the right and privilege of terminating this Lease and declaring the same at an end, and shall have the remedies now or hereafter provided by law for the recovery of damages occasioned by such default

In the event the **Lessor** shall breach or be in default in the performance of any of the covenants or obligations imposed upon the **Lessor** by this Agreement and shall remain in default for a period of 30 days after written notice from **Lessee** to **Lessor** of such default, the **Lessee** shall have the right and privilege of terminating this Lease and declaring the same at an end, and shall have the remedies now or hereafter provided by law for the recovery of damages occasioned by such default

12. **Assignment of Lease by Lessor.** **Lessor** shall have the right to assign this Lease without the consent or approval of **Lessee.**

13. **Binding Effect.** Each and every covenant, term and condition of this Agreement shall extend to and be binding upon the parties hereto and upon their respective successors and assigns

14. **Other Leases.** This Agreement supersedes and replaces all other agreements between the parties

15. **Right of Texas Health and Human Services Commission to Enforce.** As heretofore stated, **Lessee** is leasing the 1st and 5th Floor for and on behalf of the **Texas Health and Human Services Commission (HHSC). HHSC** will be the party actually occupying the leased premises via an Interlocal Agreement between the **Lessee** and **HHSC** **Lessor** agrees that the **Lessee** may enter into the Interlocal Agreement with **HHSC** and that **HHSC,** although it is not a signatory to this Agreement will have standing to enforce any provision in this Agreement that may be enforced by **Lessee** as if it were a signatory to this Agreement.

Executed effective the 1st day of January, 2013.

Shearn Moody Plaza Corporation

By: ____________________

Kevin Harrington, President

Galveston County

By: ____________________

Mark A. Henry, County Judge

Attest: Dwight D. Sullivan

Dwight D. Sullivan
County Clerk

Word/Depts/Facilities/Shearn Moody Plaza 1st and 5th Floors November 30, 2012 mark-up

AGENDA
ITEM
#24e

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department			
1 Date of Request December 6, 2012	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes / No
4 Department Name Legal		5 Department Contact	
6 Description Lease with Health+Human Services			
7 IFAS PEID No	8 IFAS Req No	9 Orgkey	10 Object Code
11 Vendor State of Tx.-HHSC		12 Vendor Contract No	
13 Requested Legal Review Yes / No (Explain if No)			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
Gn. Fund	1101	350,00	350,00				
22 Totals			-	-	-	-	-

To Be Completed By Purchasing Department

Contract Start Date 1/1/13	Auto Renewal Contract Yes / No	Bid No
Contract End Date 12/31/27	Contract # Issued By Purchasing	

Approved By	Signature	Date
Department Head	Harvey Bazaman	12/6/12
~~Assistant~~ Assistant Purchasing Agent	[signature]	12/6/12
County Legal	Harvey Bazaman	12/6/12

Contract listed in Budget Documentation Yes / No

County Budget Office	[signature]	12/6/2012

Reimbursement Agreement for Leased Property

Form Number

Revised 9/25/2012

TEXAS HEALTH AND HUMAN SERVICES COMMISSION

December 4, 2012

KYLE L JANEK, M D
EXECUTIVE COMMISSIONER

Harvey Bazaman
Galveston County Legal Department
Galveston County Courthouse
722 Moody (21st Street), 5th Floor
Galveston, Texas 77550

RE: Interlocal Agreement Between the County of Galveston and Texas Health and Human Services Commission

Dear Mr Bazaman

Please find enclosed for signatures the Agreement between the County of Galveston and Texas Health and Human Services Commission This Agreement replaces a prior Agreement dated November 2, 1992 After signature has been obtained please forward a copy to my attention in the enclosed self addressed envelope to

Joslyn M. Tyler
Regional Director for Regional Administrative Services
5425 Polk, MC 172-1
Houston, Texas 77023

Thank you for your attention to this matter If you have any questions I can be reached at (713) 767-2407

Sincerely,

Joslyn M. Tyler

Joslyn M. Tyler
Regional Director

Enclosure

JT pdp

cc Kevin Harrington, President
Rebecca Marquez, Regional Attorney
File

Interlocal Agreement Between the County of Galveston
<u>and Texas Health and Human Services Commission</u>

This Agreement is entered into between the **County of Galveston,** hereinafter called **"County"**, and the **Texas Health and Human Service Commission**, hereinafter called **"HHSC"** It replaces the Agreement dated November 2, 1992 found in Volume 300-13-0382 of the Commissioners' Court Minutes as amended on the following dates

a) May 23, 1994 found of record in Volume 300-16-0354 of the same minutes,
b) August 1, 2007 found of record in the Commissioners' Court meeting of the same date, and
c) May 21, 2008 found of record in the Commissioners' Court meeting of the same date.

The **County** and **HHSC** mutually desire to enter into this Agreement to facilitate the provision of public welfare services to residents of the Galveston County The **County** has leased from the **Shearn Moody Plaza Corporation** a total of 25,428 square feet on the first and fifth floors of the Shearn Moody Plaza, Galveston, Texas, and, by this Interlocal Agreement, allocates this space exclusively to **HHSC. HHSC** plans to use such space for office facilities The **County** and **HHSC** therefore mutually agree to the provisions set forth below.

I

The **County** hereby agrees to provide to **HHSC** 21,880 square feet on the fifth (5^{th}) floor and 3,548 square feet on the first (1^{st}) floor in a building situated on Rosenberg Avenue, being in Block 625 and 685, in the City of Galveston, Texas, and known as the "Shearn Moody Plaza" or "Building".

II.

The term of this agreement, unless terminated earlier as hereinafter set forth, shall be for a period of fifteen (15) years beginning effective January 1, 2013 and ending December 31, 2027

III

The premises occupied by **HHSC** shall be used solely for the purpose of the administration of state and county governments.

IV

HHSC agrees to pay the **County** 100% of the costs **County** incurs under the Lease Agreement it has with the Shearn Moody Plaza Corporation for **HHSC's** occupation of the first and 5^{th} floors. Such payment of costs will be made within thirty (30) calendar days after receipt by **HHSC** of a monthly written statement from the **County**. The cost charge to **HHSC** will be determined monthly by the **County** through the use of a cost accounting system The **County** agrees to make available to **HHSC** at the offices of the County Auditor such supporting data regarding the costs billed as is available to it, as may reasonably be required by **HHSC** to verify the accuracy of any statement of cost.

V

The occupied premises described herein have previously been constructed according to requirements of **HHSC**. **HHSC** will arrange for the construction and direct payment to the **Shearn Moody Plaza Corporation** or other contractor approved by the President of the **Shearn Moody Plaza Corporation** of any future modifications or other improvements as may be required by **HHSC** to the occupied premises at the sole cost and expense of **HHSC.** In the event the leased premises hereunder or any part thereof shall at any time during the term hereof be damaged by fire or other such casualty, so as to be unfit for use and occupancy, the rent provided herein, or a just and proportionate part thereof, according to the nature and extent of the damage sustained, shall be abated until the said premises shall have been duly repaired and restored by **Lessor**, or, in case the said building shall be substantially destroyed, then, by mutual agreement between the **Shearn Moody Plaza Corporation**, **HHSC** and **County** , this Lease may be terminated and **Lessee** shall be relieved of all obligations under this Lease.

VI.

This Intelocal Agreement is made upon the following additional express conditions and limitations, each of which **HHSC** covenants will be observed and performed throughout the terms of this Agreement and any extension thereof, and violation of any covenant, if not cured within thirty (30) days after receiving a written notice to cure such violation shall be grounds for terminating this Agreement.

1) The premises provided hereinafter shall be used and occupied by **HHSC** for the above stated purposes only
2) **HHSC** will pay its share of the operational and maintenance expenses in a timely manner as stated herein
3) This agreement may not be transferred to any third party
4) **HHSC** will conform to such reasonable regulations as may be established from time to time by the **County** or the **Shearn Moody Plaza Corporation** for the general convenience and protection of all the tenants of Shearn Moody Plaza
5) **HHSC** will maintain in tenantable condition the occupied premises and, at the expiration or other termination of this Agreement, shall surrender said occupied premises and fixtures in as good a condition as reasonable use and normal wear and tear will permit All damages caused to the Building, the occupied premises or fixtures located within the occupied premises intentionally or negligently caused by moving the property of **HHSC** in or out of said Building or the occupied premises, and all damages intentionally or negligently caused to the Building or the occupied premises by **HHSC**, or its employees including but not limited to damages that result in the overflow or escape of water, steam, gas, electricity or other substance will be repaired by the Shearn Moody Plaza at the expense of HHSC Such costs will be paid by HHSC upon receipt of an invoice from the Shearn Moody Plaza Such payment will be made in accordance with the terms and provisions of the Texas Prompt Payment Act. Contested damage costs will be mediated in Galveston, Texas by an entity agreed upon by both parties, and the cost of mediation will be shared by the parties

6) **HHSC** will also be responsible for any damages or personal injuries intentionally or negligently caused to any of **HHSC's** employees, agents, invitees, clients and customers by **HHSC**, or its employees, agents or contractors
7) **HHSC** will permit designated representatives of the **County** and the **Shearn Moody Plaza Corporation**, at all reasonable times, to enter upon and examine the occupied premises and the parking garage for the purpose of inspection and any repairs which **County** and the **Shearn Moody Plaza Corporation** deems necessary for the protection of the Building, the occupied premises and the parking garage

VII

The **County** shall provide to **HHSC** the parking spaces on the grounds of Shearn Moody Plaza which have been or may, in the future be allocated to the **County** pursuant to the terms of the lease between the **County** and the **Shearn Moody Plaza Corporation** for the first and fifth floors The parties recognize that the number of such spaces may increase or decrease from time to time

VIII

Early termination of that one certain lease between the **County** and the **Shearn Moody Plaza Corporation** for the premises occupied by **HHSC** for any reason as specified therein shall also terminate this Interlocal Agreement on the same date if the **Shearn Moody Plaza Corporation** is the party that terminates the lease. If the **County** is the party that terminates the lease with the **Shearn Moody Plaza Corporation**, the **County** agrees to give **HHSC** 60 days prior written notice In addition, either party may terminate this Interlocal Agreement for any reason or no reason or for convenience upon one hundred eighty (180) days prior written notice by the party desiring to terminate this Interlocal Agreement being given to the other party of its intention to terminate.

IX

In the event of a breach of any of the terms, conditions, and/or covenants on **HHSC's** part to be kept or performed hereunder **County** shall provide **HHSC** thirty (30) days prior written notice of such default and of **County's** intention to terminate this Interlocal Agreement. If **HHSC** remains in default, at the expiration of the thirty (30) day period **County** thereupon without additional notice to **HHSC may** remove **HHSC** and its inventory, equipment, furniture and its employees personal effects all without waiving any other right, cause of action or legal remedy of the **County** at equity or at law against **HHSC**

In the event the **County or Shearn Moody Plaza Corporation** shall breach or be in default in the performance of any of the covenants or obligations imposed upon the **County or Shearn Moody Plaza Corporation** by this Interlocal Agreement or the Lease Agreement between County and Shearn Moody Plaza Corporation and shall remain in default for a period of 30 days after written notice from **HHSC** to the **County and Shearn Moody Plaza Corporation** of such default, **HHSC** shall have the right and privilege of terminating this Interlocal Agreement and declaring the same at an end, and shall have the remedies now or hereafter provided by law for the recovery of damages occasioned by such default

X

Each and every covenant, term, and condition of this agreement shall extend to and be binding upon the parties hereto and upon their respective successors and assigns effective on the date indicated immediately below

XI

This Interlocal Agreement is performable in and venue shall, for all purposes lie within Galveston County, Texas.

XII.

As heretofore stated, the **County** has leased from the **Shearn Moody Plaza Corporation** a total of 25,428 square feet on the first and fifth floors of the Shearn Moody Plaza, Galveston, Texas that is hereby allocated to the exclusive use of **HHSC.** No portion of the 25, 428 square feet will be occupied by the **County. County**, by execution of this Interlocal Agreement hereby agrees that **HHSC** will have equal standing along with County to pursue any and all claims and causes of action either party ~~it~~ may have against the **Shearn Moody Plaza Corporation** by virtue of its lease agreement with the **Shearn Moody Plaza Corporation** to **HHSC.**

Executed Effective this 1st day of January 2013 regardless of the date of execution by the Parties.

County of Galveston, Texas

By: ______________________
Mark A. Henry, County Judge

Date: 12/11/12

Attest:

____
Dwight D. Sullivan
County Clerk

Texas Health and Human Services Commission

By: ______________________
Date: 11/30/12

Word/Depts/Facilities/Shearn Moody Plaza and Human Services Interlocal 2012 November 17, 2012

AGENDA ITEM #24f

County Depository Pledge Contract

State of Texas

§ Know All Men By These Presents:

County of Galveston

That Prosperity Bank, a Texas State Banking Association having a Banking Center located at 2424 Market Street, Galveston, Texas, 77550, hereinafter called **"Depository,"** in accordance with Texas Local Government Code, Chapters 116 and 117, does hereby agree to pledge securities , the initial list of which is attached hereto as **Exhibit "A"** , which securities may, from time to time be released or substituted by other types of securities described below and in that Custodial Agreement between Depository, County, and Custodian to the **Commissioners' Court of Galveston County** acting on behalf of the County of Galveston, Texas (**"County"**). The **Depository** also herewith deposits the same securities with a custodian approved by such **County** pursuant to the terms and conditions of the **Custodial Agreement for Pledged Securities** executed simultaneously with the execution of this contract (**"Custodial Agreement"**). All such securities as well as those securities added, or substituted shall be acceptable to the **County** and shall cumulatively have a market value amount sufficient to equal 110% of all funds deposited with **Depository** by **County,** its **County Tax Assessor–Collector, its County Clerk** and its **District Clerk,** its **Community Corrections and Supervision Department,** its other elected and appointed officials and the **Galveston County Health District,** (collectively **"County Departments"**). The securities are also deposited upon the terms and conditions and for the purposes hereinafter set forth

The conditions of the above Contract are such that, whereas the above bounden pledgor **Prosperity Bank** was on the 16th day of August, 2011 duly and legally chosen by the **Commissioners' Court of Galveston County, Texas** as one of the County's depositories for said

County as well as the Depository for i) **Trust Funds and Court Registry Funds** in possession of the **County Clerk** and **District Clerk,** ii) accounts utilized by the **Galveston County Health District,** iii) special funds deposited in the County Treasury and utilized by its **Community Corrections and Supervision Department,** and iv) accounts utilized by other elected and appointed officials for a period of forty eight (48) months beginning October 1, 2011 upon its bidding and agreeing to pay the **County of Galveston** for all demand or time deposits of the County Departments, save those demand or time deposits awarded by the County Commissioners' Court to other County depositories, that amount of interest set forth in said Depository's bid response attached hereto as Exhibit **"B"** and made a part hereof for all intents and purposes on "time deposits" and/or "demand deposits" on daily balances kept in said Depository by the **County Departments;** such interest to be paid at such rates and upon such dates as are set forth in said Exhibit **"B".**

Now Therefore, if the above bounden pledgor **Prosperity Bank** shall faithfully do and perform all the duties and obligations devolving on it by law as the **County Depository of** Galveston County, including but not limited to such duties and obligations devolving on it by Texas Local Government Code, Chapter 116 (Depositories for County Public Funds), Chapter 117 (Depositories for certain Trust Funds and Court Registry Funds) and Government Code Chapter 2257 (Public Funds Collateral Act) and other applicable laws and shall, upon presentation, pay checks drawn on it by the **County Treasurer of Galveston County, Texas** on collected funds in "demand deposit" accounts in such Depository upon presentation and pay all or any part of a matured time deposit, or a matured certificate of deposit, including accrued but unpaid interest, at the specified maturity date, after the expiration of the period of notice required in the case of "time deposits", (but in all cases, only to the extent funds are available therefor in any such accounts), and shall, upon presentation, pay checks drawn on it by all other **County Departments** upon collected funds and shall faithfully keep said **County Department** funds, and account for same according to law, and shall faithfully keep and account for all funds belonging to the **County Departments** which are deposited with it in accordance with the requirements of Texas Local Government Code, Chapter 116 and Chapter 117, and Government Code Chapter 2257 and other applicable laws, and shall include State funds collected by the **Tax Collector,** and shall pay the interest at the time and at the rate hereinbefore stipulated on "time deposits" and/or "demand deposits" and shall, at the expiration of the term for which it has been chosen, upon written request of the County Treasurer, turn over to a successor bank depository designated in writing, including by email, by the County Treasurer, to the President of Prosperity Bank-Galveston all the funds, property, and other things of value belonging to the **County Departments,** coming into its hands as **Depository,** then and in that event this contract is to be and shall become null and void and the securities described above shall be returned to the **Depository** as pledgor thereof, otherwise to remain in full force and effect, hereby specially authorizing the **Commissioners' Court of Galveston County, Texas,** to receive said securities and dispose of them in accordance with the terms and provisions of the **Custodial Agreement for Pledged Securities.**

The above provision is given in addition to any remedy the pledgee may have in any suit brought on this Contract in any court in this State

This Contract is nonassignable

Any suit arising out of or in any way connected with this Contract shall be tried in the County of Galveston and State of Texas in any Court therein having jurisdiction of the subject matter thereof

The Commissioners' Court agrees that the **Federal Home Loan Bank of Dallas**, Texas is acceptable as the custodian of all securities pledged to secure the County Departments' funds on deposit with the Depository Acceptance of such custodianship by the said **Federal Home Loan Bank of Dallas** shall be in accordance with the terms and conditions of the Custodial Agreement

The Commissioners' Court further agrees that the **Federal Reserve Bank of Dallas** is also acceptable as the custodian of all securities pledged to secure the County Departments' funds on deposit with the Depository In the event Depository chooses the **Federal Reserve Bank** as custodian, Depository agrees to enter into a Safekeeping Agreement in the form prescribed by the **Federal Reserve Bank,** and such Safekeeping Agreement shall govern the delivery of the Pledged Collateral, the provision of safekeeping receipts to the County, and the service of **Federal Reserve Bank** as collateral agent for the **Depository** and **County.** In addition, the **Depository, Federal Reserve Bank of Dallas,** and **County** will simultaneously enter into a **Custodial Agreement for Pledged Securities,** which contains additional terms imposed upon the parties

The **Depository** shall at all times during the term of this Contract remain a member in good standing of the **Federal Deposit Insurance Corporation.**

Depository may only pay checks, drafts or withdrawal requests drawn upon it by the **County Departments'** duly authorized signatories County will provide Depository with written notice of the name, title, and contact information of such authorized individual signatories at least five (5) days in advance of County's need for such individuals' authority to be effective Changes in the **County's** authorized signatories will be made by **County,** through the **County Treasurer,** in writing to **Depository,** again at least five (5) days in advance of County's need for such individuals' authority to be effective.

To expedite both Intra-Bank account transfers and permitted investments made under the Public Funds Investment Act, as limited by County's Investment Policy, the **County Treasurer** (and his successor in office) of the County of Galveston is authorized by the County to (a) execute and deliver to **Depository** an electronic fund or funds transfer agreement, (b) appoint and designate, as described above, from time to time, a person or persons who may request withdrawals, orders for payment or transfers on behalf of **County** in accordance with the electronic fund or funds transfer agreement and (c) make withdrawals or transfers by written instrument

Both parties agree that the **County Departments'** interest bearing accounts shall each be considered separately for purposes of calculating interest earnings and that the fees earned by the **Depository** for its services shall be invoiced and in the amounts set forth in its Depository bid attached as Exhibit **B.**

Depository also agrees that beginning October 1, 2013 and continuing through the remainder of this Agreement the County, upon notice to Depository, may establish on the basis of negotiations with the Depository, new interest rates and financial terms of the Agreement that will take effect during the final two years of the four year Agreement. In the event the parties cannot agree on new interest rates and financial terms the current interest rates and financial terms will remain in effect.

Subject to **Depository's** reasonable policies and procedures, including without limitation, **Depository's** security policies and procedures, **Depository** agrees to give the **County Auditor** or his designee, duly authorized as described above, direct and independent access through Depository's online banking service to **County Departments'** records in order that they might perform their statutory audit duties In accordance with Depository's reasonable policies and procedures, as they may change from time to time, (i) they may obtain such access electronically in a "read only" format, i e they may view and print such **County** records but have no ability to modify them, (ii) they may also access **County Department** records physically or obtain information about them via telephone with the assistance of **Depository** employees, and (iii) **Depository** employees will also assist the **County Auditor** and the **Director of Finance and Administration** in the performance of their duties at such times and in such other ways as are reasonably necessary

Depository also agrees to give the **County Treasurer** direct and independent access through Depository's online banking service to all accounts opened and controlled by other Galveston County entities that are not under his direct control, consisting of

(i) the Galveston County Criminal District Attorney,

(ii) the Galveston County Sheriff, ,

(ii) the Galveston County Tax Assessor-Collector,

(iii) the Galveston County Clerk,

(iv) the Galveston County District Clerk,

(v) the Galveston County Community Corrections and Supervision Department, and

(vi) the Galveston County Health District,

in order that he might ensure that such accounts are fully collateralized The **County Treasurer** may obtain such access electronically in a "read only" format, i e he may view and print such accounts but have no ability to modify them He may also access such accounts physically by personally visiting any Depository Banking Center or obtain information about them via telephone with the assistance of **Depository** employees **Depository** employees will also assist the **County Treasurer** in the performance of his duties at such times and in such other ways as are reasonably necessary The County Treasurer will provide Bank with each such entity's written consent for the access described above in accordance with Bank's reasonable procedures prior to any request for access by the County Treasurer

This Contract will not become effective until **Depository's Board of Directors** approves its execution and list of securities pledged as collateral for this **Contract,** documents such approval in the Board's minutes, and furnishes **County** with a certified copy of such action

If a provision contained in this **Contract** is held invalid for any reason, the invalidity does not affect other provisions of the **Contract** that can be given effect without the invalid provision, and to this end the provisions of this Contract are severable

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In Witness of all which we have hereunto set our hands and the said Prosperity Bank has caused these presents to be signed with its name and by its President and attested and sealed with its Corporate Seal this 4th day of January, 2013

Prosperity Bank

By: ______________________

Tom Larue, President,
Prosperity Bank-
Galveston

Approved

____

Mark Henry, County
Judge County of Galveston

____

Attest:

____

Dwight D. Sullivan, County Clerk

____

Date: 12/11/12

State of Texas

County of Galveston

Before Me, Mark Henry, on this day personally appeared Tom LaRue, **President** of **Prosperity Bank-Galveston,** known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of the **Prosperity Bank,** a Texas State Banking Association, for the purpose and consideration therein expressed and in the capacity herein stated

Given Under my Hand and Seal of Office this the 11th day of December _____ , A D , 2012

ROXANA GAIL LEWIS
Notary Public, State of Texas
My Commission Expires
February 14, 2015

Roxana G. Lewis

Notary Public in and
for the State of Texas
My Commission Expires

(Seal)

The within **Contract** showing approval by the **Commissioners' Court** of this County, was filed for record on the 7th day of January, **2013**, and duly recorded in the Official Governmental Business and Personal Records of Galveston County, Texas under

~~Microfilm Code No.~~ 2013001381

Witness My Hand and Seal of Office this the 7th day of January, 2013

Dwight D. Sullivan, County Clerk
Galveston County, Texas

By: ____________________
Deputy

Depts /Treasure/Prosperity **Bankshares,**
Inc Depository Contract 2012

Final Draft December 3, 2012

State of Texas

County of Galveston

Before Me, Diana Bowie, on this day personally appeared Tom LaRue, **President** of **Prosperity Bank-Galveston,** known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of the **Prosperity Bank**, a Texas State Banking Association, for the purpose and consideration therein expressed and in the capacity herein stated

Given Under my Hand and Seal of Office this the 4th day of January, A D, 2013

DIANA BOWIE
Notary Public, State of Texas
My Commission Expires
OCTOBER 05, 2015

Diana Bowie

Notary Public in and
for the State of Texas
My Commission Expires

(Seal)

EXHIBIT “A”

Pledge Security Listing

October 31, 2012

ID	CUSIP	Description	Safekeeping Location	Safekeeping Receipt	Coupon	Maturity Date	Call Date	Moody	S&P	Fitch	FASB115	Face Amount	Current Par	Current Book Value	Market Value	Gain(Loss)
GALVESTON COUNTY TREASURER																
2429	31412REU7	FNMA 932647	FHLB	x	4 00	03/01/2020		AAA	AA+	AAA	HTM	10,518,927	3,529,372.34	3,578,749 94	3,764,428.54	185,678.60
2442	31417YPQ4	FNMA MA0430	FHLB	x	4.00	[illegible]		AAA	AA+	AAA	HTM	4,710,000	2,296,325.18	2,327,401.12	2,449,260.43	121,859.31
2466	31294MCF6	FHLMC E02770	FHLB	x	3.00	11/01/2025		AAA	AA+	AAA	HTM	25,000 000	16,554,914.50	16,618,208.25	17,341,272.93	723,064 68
2467	31294MCF6	FHLMC E02770	FHLB	x	3.00	11/01/2025		AAA	AA+	AAA	HTM	25,000,000	16,554,914.50	16,580,232.01	17,341,272.93	761,040.92
2468	31417YUB1	FNMA MA0577	FHLB	x	3.50	11/01/2020		AAA	AA+	AAA	HTM	56,155,537	32,234,244.31	32,900,874 83	34,155,935.85	1,255,061.02
2476	31416QX21	FNMA AB2496	FHLB	x	3.50	03/01/2021		AAA	AA+	AAA	HTM	738,319	496,145.68	503,859 10	526,269.53	22,410 43
2486	31416Y4Y1	FNMA AB3538	FHLB	x	3.00	09/01/2021		AAA	AA+	AAA	HTM	100,000,000	75,327,988.00	77,571,302.91	79,447,582.25	1,876,279.34
2519	31418AB[illegible]	FNMA MA0957	FHLB	x	3.00	01/01/2022		AAA	AA+	AAA	HTM	24,548,494	20,736,197.51	21,455,079.65	21,877,527.28	422,447.63
	Total for GALVESTON COUNTY TREASURER											246,663,278	167,724,102.02	171,535,707.81	176,903,549 74	5,367,841 93

Balance as of 10/31/2012: $133,823,011.70

Prosperity Bank
Laura Kallina, [illegible]

Although the information in this report has been obtained from sources believed to be reliable its accuracy cannot be guaranteed

EXHIBIT “B”

PROSPERITY BANK®

May 19, 2011

Kevin C Walsh, CPA
Office of the County Treasurer
Galveston County Courthouse
722 Moody 4th Floor
Galveston, TX

"Application for County Depository Funds"

Dear Mr Walsh,

Prosperity Bank is submitting an Application for Galveston County Depository Contract for the term October 1, 2011 – September 20, 2015 for your review and consideration

Please note that the following minor exceptions, conditions or qualifications to the provisions of the county's specifications are.

- Security and Safekeeping - Prosperity Bank does not provide investment advice, administration, bookkeeping or safekeeping services.
- While Prosperity Bank offers Lock Box Services and will consider providing such service to Galveston County, such services are not being offered with this bid but would be considered as additional services based upon volumes and other considerations
- Prosperity Bank does not offer Account Reconciliation.

A Cashiers' Check in the amount of $600,000 00 made payable to Galveston County accompanies this bid and is tendered under the terms of the law and of these specifications Tom C LaRue is hereby authorized to sign for the receipt for said check upon its return

If you have any questions or require additional clarification, please contact Tom C LaRue, President or Glenda Mayo, Vice President – Lobby Manager at 409-762-2103

Sincerely,

Tom C LaRue
President
Galveston Banking Center

PROSPERITY BANK®

OUTLINE OF EXPERIENCE AND FINANCIAL CONDITION

Prosperity Bancshares, Inc ®, a $9 7 billion Houston, Texas based regional financial holding company, formed in 1983, operates under a community banking philosophy and seeks to develop broad customer relationships based on service and convenience Prosperity offers a variety of traditional loan and deposit products to its customers, which consist primarily of small and medium sized businesses and consumers In addition to established banking products, Prosperity offers a complete line of services including Internet Banking services at http.//www prosperitybanktx com, Retail Brokerage Services, MasterMoney Debit Cards and 24 hour voice response banking Prosperity currently operates one hundred seventy-five (175) full service banking locations. There are two (2) in Galveston County, located at 2424 Market Street, Galveston, TX and 8300 Highway 6, Hitchcock, TX If we are chosen as your depository your accounts will originate in Galveston but you will have the convenience of using any of our locations to make deposits or withdrawals.

Prosperity Bank is proud to have been awarded the bids of our local, Texas-based governmental entities and currently banks over 370 such entities The Bank currently manages public fund accounts totaling approximately $1 65 billion in deposits for governmental entities

As of March 31, 2011, Prosperity Bank Capital Stock was $520,000 with a surplus of $963,359,000, retained earnings of $580,705,000 and representing $1,544,584,000 in total equity capital. We have included our most recent March 31, 2011 Call report for your review Our current Statement of Condition on the date of proposal is unavailable for release until it has been reviewed by the Bank's Audit Committee

Prosperity Bank

Tom C LaRue, President
Galveston Banking Center

Prosperity Bank
Reference 2 5 – A
Call Report 3-31-2010

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

Federal Financial Institutions Examination Council

1

Consolidated Reports of Condition and Income for A Bank With Domestic Offices Only - FFIEC 041

Institution Name	**PROSPERITY BANK**
City	**EL CAMPO**
State	**TX**
Zip Code	**77437**
Call Report Quarter End Date	**3/31/2011**
Report Type	**041**
RSSD-ID	**664756**
FDIC Certificate Number	**16835**
OCC Charter Number	**0**
ABA Routing Number	**113122655**
Last updated on	**4/27/2011**

Bank Demographic Information

Dollar amounts in thousands

1 Reporting date	RCON9999	20110331	1
2 FDIC certificate number	RSSD9050	16835	2
3 Legal title of bank	RSSD9017	Prosperity Bank	3
4 City	RSSD9130	El Campo	4
5 State abbreviation	RSSD9200	TX	5
6 Zip code	RSSD9220	77437	6

Contact Information

Dollar amounts in thousands

1 Contact Information for the Reports of Condition and Income			1
a Chief Financial Officer (or Equivalent) Signing the Reports			1 a
1 Name	TEXTC490	CONF	1 a 1
2 Title	TEXTC491	CONF	1 a 2
3 E-mail Address	TEXTC492	CONF	1 a 3
4 Telephone	TEXTC493	CONF	1 a 4
5 FAX	TEXTC494	CONF	1 a 5
b Other Person to Whom Questions about the Reports Should be Directed			1 b
1 Name	TEXTC495	CONF	1 b 1
2 Title	TEXTC496	CONF	1 b 2
3 E-mail Address	TEXT4086	CONF	1 b 3
4 Telephone	TEXT8902	CONF	1 b 4
5 FAX	TEXT9116	CONF	1 b 5
2 Person to whom questions about Schedule RC-T - Fiduciary and Related Services should be directed			2
a Name and Title	TEXTB962	CONF	2 a
b E-mail Address	TEXTB926	CONF	2 b
c Telephone	TEXTB963	CONF	2 c
d FAX	TEXTB964	CONF	2 d
3 Emergency Contact Information			3
a Primary Contact			3 a
1 Name	TEXTC366	CONF	3 a 1
2 Title	TEXTC367	CONF	3 a 2
3 E-mail Address	TEXTC368	CONF	3 a 3
4 Telephone	TEXTC369	CONF	3 a 4
5 FAX	TEXTC370	CONF	3 a 5
b Secondary Contact			3 b
1 Name	TEXTC371	CONF	3 b 1
2 Title	TEXTC372	CONF	3 b 2
3 E-mail Address	TEXTC373	CONF	3 b 3
4 Telephone	TEXTC374	CONF	3 b 4
5 FAX	TEXTC375	CONF	3 b 5
4 USA PATRIOT Act Section 314(a) Anti-Money Laundering Contact Information			4
a Primary Contact			4 a
1 Name	TEXTC437	CONF	4 a 1
2 Title	TEXTC438	CONF	4 a 2
3 E-mail Address	TEXTC439	CONF	4 a 3
4 Telephone	TEXTC440	CONF	4 a 4
b Secondary Contact			4 b

Dollar amounts in thousands			
1 Name	TEXTC442	CONF	4 b 1
2 Title	TEXTC443	CONF	4 b 2
3 E-mail Address	TEXTC444	CONF	4 b 3
4 Telephone	TEXTC445	CONF	4 b 4
c Third Contact			4 c
1 Name	TEXTC870	CONF	4 c 1
2 Title	TEXTC871	CONF	4 c 2
3 E-mail Address	TEXTC872	CONF	4 c 3
4 Telephone	TEXTC873	CONF	4 c 4
d Fourth Contact			4 d
1 Name	TEXTC875	CONF	4 d 1
2 Title	TEXTC876	CONF	4 d 2
3 E-mail Address	TEXTC877	CONF	4 d 3
4 Telephone	TEXTC878	CONF	4 d 4

Optional Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income

Dollar amounts in thousands			
1 Comments?	RCON6979	No	1
2 Bank Management Statement	TEXT6980	NR	2

Schedule RI - Income Statement

Dollar amounts in thousands			
1 Interest income			1
a Interest and fee income on loans			1 a
1 Loans secured by real estate			1 a 1
a Loans secured by 1-4 family residential properties	RIAD4435	13,771	1 a 1 a
b All other loans secured by real estate	RIAD4436	30,276	1 a 1 b
2 Commercial and industrial loans	RIAD4012	5,201	1 a 2
3 Loans to individuals for household, family, and other personal expenditures			1 a 3
a Credit cards	RIADB485	0	1 a 3 a
b Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RIADB486	1,430	1 a 3 b
4 Loans to foreign governments and official institutions	RIAD4056	0	1 a 4
5 All other loans	RIAD4058	1,521	1 a 5
6 Total interest and fee income on loans (sum of items 1 a (1)(a) through 1 a (5))	RIAD4010	52,199	1 a 6
b Income from lease financing receivables	RIAD4065	1	1 b
c Interest income on balances due from depository institutions	RIAD4115	5	1 c
d Interest and dividend income on securities			1 d
1 U S Treasury securities and U S Government agency obligations (excluding mortgage-backed securities)	RIADB488	129	1 d 1
2 Mortgage-backed securities	RIADB489	40,060	1 d 2
3 All other securities (includes securities issued by states and political subdivisions in the U S)	RIAD4060	1,015	1 d 3
e Interest income from trading assets	RIAD4069	0	1 e
f Interest income on federal funds sold and securities purchased under agreements to resell	RIAD4020	0	1 f
g Other interest income	RIAD4518	64	1 g
h Total interest income (sum of items 1 a (6) through 1 g)	RIAD4107	93,473	1 h

Dollar amounts in thousands			
2 Interest expense			2
a Interest on deposits			2 a
1 Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	RIAD4508	389	2 a 1
2 Nontransaction accounts			2 a 2
a Savings deposits (includes MMDAs)	RIAD0093	5,185	2 a 2 a
b Time deposits of $100,000 or more	RIADA517	3,077	2 a 2 b
c Time deposits of less than $100,000	RIADA518	2,956	2 a 2 c
b Expense of federal funds purchased and securities sold under agreements to repurchase	RIAD4180	69	2 b
c Interest on trading liabilities and other borrowed money	RIAD4185	268	2 c
d Interest on subordinated notes and debentures	RIAD4200	0	2 d
e Total interest expense (sum of items 2 a through 2 d)	RIAD4073	11,944	2 e
3 Net interest income (item 1 h minus 2 e)	RIAD4074	81,529	3
4 Provision for loan and lease losses	RIAD4230	1,700	4
5 Noninterest income			5
a Income from fiduciary activities	RIAD4070	0	5 a
b Service charges on deposit accounts	RIAD4080	8,234	5 b
c Trading revenue	RIADA220	0	5 c
d Not available			5 d
1 Fees and commissions from securities brokerage	RIADC886	175	5 d 1
2 Investment banking, advisory, and underwriting fees and commissions	RIADC888	0	5 d 2
3 Fees and commissions from annuity sales	RIADC887	0	5 d 3
4 Underwriting income from insurance and reinsurance activities	RIADC386	0	5 d 4
5 Income from other insurance activities	RIADC387	0	5 d 5
e Venture capital revenue	RIADB491	0	5 e
f Net servicing fees	RIADB492	0	5 f
g Net securitization income	RIADB493	0	5 g
h Not applicable			5 h
i Net gains (losses) on sales of loans and leases	RIAD5416	0	5 i
j Net gains (losses) on sales of other real estate owned	RIAD5415	-160	5 j
k Net gains (losses) on sales of other assets (excluding securities)	RIADB496	165	5 k
l Other noninterest income	RIADB497	5,102	5 l
m Total noninterest income (sum of items 5 a through 5 l)	RIAD4079	13,516	5 m
6 Not available			6
a Realized gains (losses) on held-to-maturity securities	RIAD3521	0	6 a
b Realized gains (losses) on available-for-sale securities	RIAD3196	0	6 b
7 Noninterest expense			7
a Salaries and employee benefits	RIAD4135	22,497	7 a
b Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	RIAD4217	6,383	7 b
c Not available			7 c
1 Goodwill impairment losses	RIADC216	0	7 c 1
2 Amortization expense and impairment losses for other intangible assets	RIADC232	2,034	7 c 2
d Other noninterest expense	RIAD4092	9,657	7 d
e Total noninterest expense (sum of items 7 a through 7 d)	RIAD4093	40,571	7 e
8 Income (loss) before income taxes and extraordinary items and other adjustments (item 3 plus or minus items 4, 5 m, 6 a, 6 b, and 7 e)	RIAD4301	52,774	8
9 Applicable income taxes (on item 8)	RIAD4302	17,659	9
10 Income (loss) before extraordinary items and other adjustments (item 8 minus item 9)	RIAD4300	35,115	10
11 Extraordinary items and other adjustments, net of income taxes	RIAD4320	0	11

Dollar amounts in thousands			
12 Net income (loss) attributable to bank and noncontrolling (minority) interests (sum of items 10 and 11)	RIADG104	35,115	12
13 LESS Net income (loss) attributable to noncontrolling (minority) interests (if net income, report as a positive value, if net loss, report as a negative value)	RIADG103	0	13
14 Net income (loss) attributable to bank (item 12 minus item 13)	RIAD4340	35,115	14
1 Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes	RIAD4513	181	M 1
2 Income from the sale and servicing of mutual funds and annuities (included in Schedule RI, item 8)	RIAD8431	130	M 2
3 Income on tax-exempt loans and leases to states and political subdivisions in the U S (included in Schedule RI, items 1 a and 1 b)	RIAD4313	856	M 3
4 Income on tax-exempt securities issued by states and political subdivisions in the U S (included in Schedule RI, item 1 d (3))	RIAD4507	765	M 4
5 Number of full-time equivalent employees at end of current period (round to nearest whole number)	RIAD4150	1672	M 5
6 Interest and fee income on loans to finance agricultural production and other loans to farmers (included in Schedule RI, item 1 a (5))	RIAD4024	610	M 6
7 If the reporting bank has restated its balance sheet as a result of applying push down accounting this calendar year, report the date of the bank's acquisition	RIAD9106	0	M 7
8 Trading revenue (from cash instruments and derivative instruments) (sum of Memorandum items 8 a through 8 e must equal Schedule RI, item 5 c)			M 8
a Interest rate exposures	RIAD8757	NR	M 8 a
b Foreign exchange exposures	RIAD8758	NR	M 8 b
c Equity security and index exposures	RIAD8759	NR	M 8 c
d Commodity and other exposures	RIAD8760	NR	M 8 d
e Credit exposures	RIADF186	NR	M 8 e
f Impact on trading revenue of changes in the creditworthiness of the bank's derivatives counterparties on the bank's derivative assets (included in Memorandum items 8 a through 8 e above)	RIADK090	NR	M 8 f
g Impact on trading revenue of changes in the creditworthiness of the bank on the bank's derivative liabilities (included in Memorandum items 8 a through 8 e above)	RIADK094	NR	M 8 g
9 Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account			M 9
a Net gains (losses) on credit derivatives held for trading	RIADC889	0	M 9 a
b Net gains (losses) on credit derivatives held for purposes other than trading	RIADC890	0	M 9 b
10 Credit losses on derivatives (see instructions)	RIADA251	0	M 10
11 Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?	RIADA530	No	M 11
12 Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (included in Schedule RI, item 1 a (1)(a))	RIADF228	NR	M 12
13 Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option			M 13
a Net gains (losses) on assets	RIADF551	NR	M 13 a
1 Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk	RIADF552	NR	M.13.a.1
b Net gains (losses) on liabilities	RIADF553	NR	M 13 b
1 Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk	RIADF554	NR	M.13.b.1
14 Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities			M 14
a Total other-than-temporary impairment losses	RIADJ319	0	M 14 a
b Portion of losses recognized in other comprehensive income (before income taxes)	RIADJ320	0	M 14 b
c Net impairment losses recognized in earnings (included in Schedule RI, items 6 a and 6 b) (Memorandum item 14 a minus Memorandum item 14 b)	RIADJ321	0	M 14 c

Schedule RI-A - Changes in Bank Equity Capital

Dollar amounts in thousands			
1 Total bank equity capital most recently reported for the December 31, 2010, Reports of Condition and Income (i e , after adjustments from amended Reports of Income)	RIAD3217	1,525,567	1
2 Cumulative effect of changes in accounting principles and corrections of material accounting errors	RIADB507	0	2
3 Balance end of previous calendar year as restated (sum of items 1 and 2)	RIADB508	1,525,567	3
4 Net income (loss) attributable to bank (must equal Schedule RI, item 14)	RIAD4340	35,115	4
5 Sale, conversion, acquisition, or retirement of capital stock, net (excluding treasury stock transactions)	RIADB509	0	5
6 Treasury stock transactions, net	RIADB510	0	6
7 Changes incident to business combinations, net	RIAD4356	0	7
8 LESS Cash dividends declared on preferred stock	RIAD4470	0	8
9 LESS Cash dividends declared on common stock	RIAD4460	15,500	9
10 Other comprehensive income	RIADB511	-598	10
11 Other transactions with parent holding company (not included in items 5, 6, 8, or 9 above)	RIAD4415	0	11
12 Total bank equity capital end of current period (sum of items 3 through 11) (must equal Schedule RC, item 27 a)	RIAD3210	1,544,584	12

Schedule RI-B Part I - Charge-offs and Recoveries on Loans and Leases

Dollar amounts in thousands	(Column A) Charge-offs Calendar year-to-date		(Column B) Recoveries Calendar year-to-date		
1 Loans secured by real estate					1
a Construction, land development, and other land loans					1 a
1 1-4 family residential construction loans	RIADC891	736	RIADC892	4	1 a 1
2 Other construction loans and all land development and other land loans	RIADC893	14	RIADC894	48	1 a 2
b Secured by farmland	RIAD3584	0	RIAD3585	0	1 b
c Secured by 1-4 family residential properties					1 c
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RIAD5411	0	RIAD5412	0	1 c 1
2 Closed-end loans secured by 1-4 family residential properties					1 c 2
a Secured by first liens	RIADC234	227	RIADC217	1	1.c2.a.
b Secured by junior liens	RIADC235	0	RIADC218	0	1.c.2.b.
d Secured by multifamily (5 or more) residential properties	RIAD3588	0	RIAD3589	0	1 d
e Secured by nonfarm nonresidential properties					1 e
1 Loans secured by owner-occupied nonfarm nonresidential properties	RIADC895	0	RIADC896	0	1 e 1
2 Loans secured by other nonfarm nonresidential properties	RIADC897	321	RIADC898	1	1 e 2
2 Loans to depository institutions and acceptances of other banks	RIAD4481	0	RIAD4482	0	2
3 Not applicable					3
4 Commercial and industrial loans	RIAD4638	284	RIAD4608	68	4
5 Loans to individuals for household, family, and other personal expenditures					5
a Credit cards	RIADB514	0	RIADB515	0	5 a
b Automobile loans	RIADK129	10	RIADK133	10	5 b
c Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RIADK205	265	RIADK206	200	5 c
6 Loans to foreign governments and official institutions	RIAD4643	0	RIAD4627	0	6
7 All other loans	RIAD4644	0	RIAD4628	1	7
8 Lease financing receivables	RIAD4266	0	RIAD4267	0	8

Dollar amounts in thousands	(Column A) Charge-offs Calendar year-to-date		(Column B) Recoveries Calendar year-to-date		
9 Total (sum of items 1 through 8)	RIAD4635	1,857	RIAD4605	333	9
1 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RI-B, part I, items 4 and 7, above	RIAD5409	0	RIAD5410	0	M 1
2 Not available					M 2
a Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RI-B, part I, item 1, above)	RIAD4652	0	RIAD4662	0	M 2 a
b Loans to and acceptances of foreign banks (included in Schedule RI-B, part I, item 2, above)	RIAD4654	0	RIAD4664	0	M 2 b
c Commercial and industrial loans to non-U S addressees (domicile) (included in Schedule RI-B, part I, item 4, above)	RIAD4646	0	RIAD4618	0	M 2 c
d Leases to individuals for household, family, and other personal expenditures (included in Schedule RI-B, part I, item 8, above)	RIADF185	0	RIADF187	0	M 2 d
3 Loans to finance agricultural production and other loans to farmers (included in Schedule RI-B, part I, item 7, above)	RIAD4655	0	RIAD4665	1	M 3

Schedule RI-B Part I - Charge-offs and Recoveries on Loans and Leases

Dollar amounts in thousands			
4 Uncollectible retail credit card fees and finance charges reversed against income (i e , not included in charge-offs against the allowance for loan and lease losses)	RIADC388	NR	M 4

Schedule RI-B Part II - Changes in Allowance for Loan and Lease Losses

Dollar amounts in thousands			
1 Balance most recently reported for the December 31, 2010, Reports of Condition and Income (i e , after adjustments from amended Reports of Income)	RIADB522	51,584	1
2 Recoveries (must equal part I, item 9, column B, above)	RIAD4605	333	2
3 LESS Charge-offs (must equal part I, item 9, column A, above less Schedule RI-B, part II, item 4)	RIADC079	1,857	3
4 LESS Write-downs arising from transfers of loans to a held-for-sale account	RIAD5523	0	4
5 Provision for loan and lease losses (must equal Schedule RI, item 4)	RIAD4230	1,700	5
6 Adjustments (see instructions for this schedule)	RIADC233	0	6
7 Balance end of current period (sum of items 1, 2, 5, and 6, less items 3 and 4) (must equal Schedule RC, item 4 c)	RIAD3123	51,760	7
1 Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above	RIADC435	0	M 1
2 Separate valuation allowance for uncollectible retail credit card fees and finance charges	RIADC389	NR	M 2
3 Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges	RIADC390	NR	M 3
4 Amount of allowance for post-acquisition losses on purchased impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3) (included in Schedule RI-B, part II, item 7, above)	RIADC781	0	M 4

Schedule RI-E - Explanations

Dollar amounts in thousands			
1 Other noninterest income (from Schedule RI, item 5 l) Itemize and describe amounts greater than $25,000 that exceed 3% of Schedule RI, item 5 l			1
a Income and fees from the printing and sale of checks	RIADC013	289	1 a
b Earnings on/increase in value of cash surrender value of life insurance	RIADC014	323	1 b
c Income and fees from automated teller machines (ATMs)	RIADC016	541	1 c
d Rent and other income from other real estate owned	RIAD4042	0	1 d
e Safe deposit box rent	RIADC015	195	1 e

Dollar amounts in thousands			
f Net change in the fair values of financial instruments accounted for under a fair value option	RIADF229	0	1 f
g Bank card and credit card interchange fees	RIADF555	2,912	1 g
h Gains on bargain purchases	RIADJ447	0	1 h
i Disclose component and the dollar amount of that component			1 i
1 Describe component	TEXT4461	NR	1 i 1
2 Amount of component	RIAD4461	0	1 i 2
j Disclose component and the dollar amount of that component			1 j
1 Describe component	TEXT4462	NR	1 j 1
2 Amount of component	RIAD4462	0	1 j 2
k Disclose component and the dollar amount of that component			1 k
1 Describe component	TEXT4463	NR	1 k 1
2 Amount of component	RIAD4463	0	1 k 2
2 Other noninterest expense (from Schedule RI, item 7 d) Itemize and describe amounts greater than $25,000 that exceed 3% of Schedule RI, item 7 d			2
a Data processing expenses	RIADC017	810	2 a
b Advertising and marketing expenses	RIAD0497	0	2 b
c Directors' fees	RIAD4136	0	2 c
d Printing, stationery, and supplies	RIADC018	446	2 d
e Postage	RIAD8403	515	2 e
f Legal fees and expenses	RIAD4141	0	2 f
g FDIC deposit insurance assessments	RIAD4146	CONF	2 g
h Accounting and auditing expenses	RIADF556	0	2 h
i Consulting and advisory expenses	RIADF557	0	2 i
j Automated teller machine (ATM) and interchange expenses	RIADF558	862	2 j
k Telecommunications expenses	RIADF559	774	2 k
l Disclose component and the dollar amount of that component			2 l
1 Describe component	TEXT4464	Courier Expense	2 l 1
2 Amount of component	RIAD4464	403	2 l 2
m Disclose component and the dollar amount of that component			2 m
1 Describe component	TEXT4467	NR	2 m 1
2 Amount of component	RIAD4467	0	2 m 2
n Disclose component and the dollar amount of that component			2 n
1 Describe component	TEXT4468	NR	2 n 1
2 Amount of component	RIAD4468	0	2 n 2
3 Extraordinary items and other adjustments and applicable income tax effect (from Schedule RI, item 11)			3
a Disclose component, the gross dollar amount of that component, and its related income tax			3 a
1 Describe component	TEXT4469	NR	3 a 1
2 Amount of component	RIAD4469	0	3 a 2
3 Applicable income tax effect	RIAD4486	0	3 a 3
b Disclose component, the gross dollar amount of that component, and its related income tax			3 b
1 Describe component	TEXT4487	NR	3 b 1
2 Amount of component	RIAD4487	0	3 b 2
3 Applicable income tax effect	RIAD4488	0	3 b 3
c Disclose component, the gross dollar amount of that component, and its related income tax			3 c
1 Describe component	TEXT4489	NR	3 c 1
2 Amount of component	RIAD4489	0	3 c 2
3 Applicable income tax effect	RIAD4491	0	3 c 3

Dollar amounts in thousands

4 Cumulative effect of changes in accounting principles and corrections of material accounting errors (from Schedule RI-A, item 2) (itemize and describe all such effects)			4
a Disclose component and the dollar amount of that component			4 a
1 Describe component	TEXTB526	NR	4 a 1
2 Amount of component	RIADB526	0	4 a 2
b Disclose component and the dollar amount of that component			4 b
1 Describe component	TEXTB527	NR	4 b 1
2 Amount of component	RIADB527	0	4 b 2
5 Other transactions with parent holding company (from Schedule RI-A, item 11) (itemize and describe all such transactions)			5
a Disclose component and the dollar amount of that component			5 a
1 Describe component	TEXT4498	NR	5 a 1
2 Amount of component	RIAD4498	0	5 a 2
b Disclose component and the dollar amount of that component			5 b
1 Describe component	TEXT4499	NR	5 b 1
2 Amount of component	RIAD4499	0	5 b 2
6 Adjustments to allowance for loan and lease losses (from Schedule RI-B, part II, item 6) (itemize and describe all adjustments)			6
a Disclose component and the dollar amount of that component			6 a
1 Describe component	TEXT4521	NR	6 a 1
2 Amount of component	RIAD4521	0	6 a 2
b Disclose component and the dollar amount of that component			6 b
1 Describe component	TEXT4522	NR	6 b 1
2 Amount of component	RIAD4522	0	6 b 2
7 Other explanations (the space below is provided for the bank to briefly describe, at its option, any other significant items affecting the Report of Income)			7
a Comments?	RIAD4769	No	7 a
b Other explanations	TEXT4769	NR	7 b

Schedule RC - Balance Sheet

Dollar amounts in thousands

1 Cash and balances due from depository institutions (from Schedule RC-A)			1
a Noninterest-bearing balances and currency and coin	RCON0081	130,554	1 a
b Interest-bearing balances	RCON0071	14,951	1 b
2 Securities			2
a Held-to-maturity securities (from Schedule RC-B, column A)	RCON1754	4,401,265	2 a
b Available-for-sale securities (from Schedule RC-B, column D)	RCON1773	397,377	2 b
3 Federal funds sold and securities purchased under agreements to resell			3
a Federal funds sold	RCONB987	517	3 a
b Securities purchased under agreements to resell	RCONB989	0	3 b
4 Loans and lease financing receivables (from Schedule RC-C)			4
a Loans and leases held for sale	RCON5369	0	4 a
b Loans and leases, net of unearned income	RCONB528	3,572,920	4 b
c LESS Allowance for loan and lease losses	RCON3123	51,760	4 c
d Loans and leases, net of unearned income and allowance (item 4 b minus 4 c)	RCONB529	3,521,160	4 d
5 Trading assets (from Schedule RC-D)	RCON3545	0	5
6 Premises and fixed assets (including capitalized leases)	RCON2145	158,864	6
7 Other real estate owned (from Schedule RC-M)	RCON2150	10,465	7
8 Investments in unconsolidated subsidiaries and associated companies	RCON2130	0	8
9 Direct and indirect investments in real estate ventures	RCON3656	0	9

Dollar amounts in thousands			
10 Intangible assets			10
a Goodwill	RCON3163	920,554	10 a
b Other intangible assets (from Schedule RC-M)	RCON0426	26,741	10 b
11 Other assets (from Schedule RC-F)	RCON2160	134,797	11
12 Total assets (sum of items 1 through 11)	RCON2170	9,717,245	12
13 Deposits			13
a In domestic offices (sum of totals of columns A and C from Schedule RC-E)	RCON2200	7,824,989	13 a
1 Noninterest-bearing	RCON6631	1,739,358	13 a 1
2 Interest-bearing	RCON6636	6,085,631	13 a 2
b Not applicable			13 b
14 Federal funds purchased and securities sold under agreements to repurchase			14
a Federal funds purchased	RCONB993	0	14 a
b Securities sold under agreements to repurchase	RCONB995	51,847	14 b
15 Trading liabilities (from Schedule RC-D)	RCON3548	0	15
16 Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M)	RCON3190	228,092	16
17 Not applicable			17
18 Not applicable			18
19 Subordinated notes and debentures	RCON3200	0	19
20 Other liabilities (from Schedule RC-G)	RCON2930	67,733	20
21 Total liabilities (sum of items 13 through 20)	RCON2948	8,172,661	21
22 Not applicable			22
23 Perpetual preferred stock and related surplus	RCON3838	0	23
24 Common stock	RCON3230	520	24
25 Surplus (exclude all surplus related to preferred stock)	RCON3839	963,359	25
26 Not available			26
a Retained earnings	RCON3632	566,998	26 a
b Accumulated other comprehensive income	RCONB530	13,707	26 b
c Other equity capital components	RCONA130	0	26 c
27 Not available			27
a Total bank equity capital (sum of items 23 through 26 c)	RCON3210	1,544,584	27 a
b Noncontrolling (minority) interests in consolidated subsidiaries	RCON3000	0	27 b
28 Total equity capital (sum of items 27 a and 27 b)	RCONG105	1,544,584	28
29 Total liabilities and equity capital (sum of items 21 and 28)	RCON3300	9,717,245	29
1 Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2010	RCON6724	1	M 1
2 Bank's fiscal year-end date	RCON8678	1231	M 2

Schedule RC-A - Cash and Balances Due From Depository Institutions

Dollar amounts in thousands			
1 Cash items in process of collection, unposted debits, and currency and coin			1
a Cash items in process of collection and unposted debits	RCON0020	64,149	1 a
b Currency and coin	RCON0080	66,117	1 b
2 Balances due from depository institutions in the U S			2
a U S branches and agencies of foreign banks	RCON0083	0	2 a
b Other commercial banks in the U S and other depository institutions in the U S	RCON0085	288	2 b
3 Balances due from banks in foreign countries and foreign central banks			3
a Foreign branches of other U S banks	RCON0073	0	3 a
b Other banks in foreign countries and foreign central banks	RCON0074	0	3 b

Dollar amounts in thousands			
4 Balances due from Federal Reserve Banks	RCON0090	14,951	4
5 Total	RCON0010	145,505	5

Schedule RC-B - Securities

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
	RCON0211	RCON0213	RCON1286	RCON1287	
1 U S Treasury securities	0	0	0	0	1
2 U S Government agency obligations (exclude mortgage-backed securities)					2
	RCON1289	RCON1290	RCON1291	RCON1293	
a Issued by U S Government agencies	0	0	34	34	2 a
	RCON1294	RCON1295	RCON1297	RCON1298	
b Issued by U S Government-sponsored agencies	9,907	10,620	0	0	2 b
	RCON8496	RCON8497	RCON8498	RCON8499	
3 Securities issued by states and political subdivisions in the U S	48,450	48,894	47,184	49,676	3
4 Mortgage-backed securities (MBS)					4
a Residential mortgage pass-through securities					4 a
	RCONG300	RCONG301	RCONG302	RCONG303	
1 Guaranteed by GNMA	107,602	110,762	46,458	48,586	4 a 1
	RCONG304	RCONG305	RCONG306	RCONG307	
2 Issued by FNMA and FHLMC	3,835,265	3,940,771	272,918	289,081	4 a 2
	RCONG308	RCONG309	RCONG310	RCONG311	
3 Other pass-through securities	0	0	0	0	4 a 3
b Other residential mortgage-backed securities (include CMOs, REMICs, and stripped MBS)					4 b
	RCONG312	RCONG313	RCONG314	RCONG315	
1 Issued or guaranteed by FNMA, FHLMC, or GNMA	390,924	398,245	922	896	4 b 1
	RCONG316	RCONG317	RCONG318	RCONG319	
2 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	0	0	0	0	4 b 2
	RCONG320	RCONG321	RCONG322	RCONG323	
3 All other residential MBS	7,617	7,201	0	0	4 b 3
c Commercial MBS					4 c
1 Commercial mortgage pass-through securities					4 c 1
	RCONK142	RCONK143	RCONK144	RCONK145	
a Issued or guaranteed by FNMA, FHLMC, or GNMA	0	0	0	0	4 c 1 a

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
	RCONK146	RCONK147	RCONK148	RCONK149	
b Other pass-through securities	0	0	0	0	4 c 1 b
2 Other commercial MBS					4 c 2
	RCONK150	RCONK151	RCONK152	RCONK153	
a Issued or guaranteed by FNMA, FHLMC, or GNMA	0	0	0	0	4 c 2 a
	RCONK154	RCONK155	RCONK156	RCONK157	
b All other commercial MBS	0	0	0	0	4 c 2 b
5 Asset-backed securities and structured financial products					5
	RCONC026	RCONC988	RCONC989	RCONC027	
a Asset-backed securities (ABS)	0	0	0	0	5 a
b Structured financial products					5 b
	RCONG336	RCONG337	RCONG338	RCONG339	
1 Cash	0	0	0	0	5 b 1
	RCONG340	RCONG341	RCONG342	RCONG343	
2 Synthetic	0	0	0	0	5 b 2
	RCONG344	RCONG345	RCONG346	RCONG347	
3 Hybrid	0	0	0	0	5 b 3
6 Other debt securities					6
	RCON1737	RCON1738	RCON1739	RCON1741	
a Other domestic debt securities	1,500	1,673	1,485	1,672	6 a
	RCON1742	RCON1743	RCON1744	RCON1746	
b Foreign debt securities	0	0	0	0	6 b
			RCONA510	RCONA511	
7 Investments in mutual funds and other equity securities with readily determinable fair values			7,288	7,432	7
	RCON1754	RCON1771	RCON1772	RCON1773	
8 Total (sum of items 1 through 7) (total of column A must equal Schedule RC, item 2 a) (total of column D must equal Schedule RC, item 2 b)	4,401,265	4,518,166	376,289	397,377	8

Schedule RC-B - Securities

Dollar amounts in thousands			
1 Pledged securities	RCON0416	2,742,953	M 1
2 Maturity and repricing data for debt securities (excluding those in nonaccrual status)			M 2
a Securities issued by the U S Treasury, U S Government agencies, and states and political subdivisions in the U S , other non-mortgage debt securities, and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of			M 2 a
1 Three months or less	RCONA549	0	M 2 a 1
2 Over three months through 12 months	RCONA550	11,380	M 2 a 2
3 Over one year through three years	RCONA551	14,536	M 2 a 3
4 Over three years through five years	RCONA552	4,456	M 2 a 4
5 Over five years through 15 years	RCONA553	78,020	M 2 a 5
6 Over 15 years	RCONA554	2,848	M 2 a 6
b Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of			M 2 b
1 Three months or less	RCONA555	21,100	M 2 b 1
2 Over three months through 12 months	RCONA556	40,317	M 2 b 2
3 Over one year through three years	RCONA557	50,978	M 2 b 3
4 Over three years through five years	RCONA558	161,742	M 2 b 4
5 Over five years through 15 years	RCONA559	3,815,857	M 2 b 5
6 Over 15 years	RCONA560	190,539	M 2 b 6
c Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS, exclude mortgage pass-through securities) with an expected average life of			M 2 c
1 Three years or less	RCONA561	390,317	M 2 c 1
2 Over three years	RCONA562	9,120	M 2 c 2
d Debt securities with a REMAINING MATURITY of one year or less (included in Memorandum items 2 a through 2 c above)	RCONA248	13,453	M 2 d
3 Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date (report the amortized cost at date of sale or transfer)	RCON1778	0	M 3
4 Structured notes (included in the held-to-maturity and available-for-sale accounts in Schedule RC-B, items 2, 3, 5, and 6)			M 4
a Amortized cost	RCON8782	0	M 4 a
b Fair value	RCON8783	0	M 4 b

Schedule RC-B - Securities

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
5 Asset-backed securities (ABS) (for each column, sum of Memorandum items 5 a through 5 f must equal Schedule RC-B, item 5 a)					M 5
a Credit card receivables	RCONB838 0	RCONB839 0	RCONB840 0	RCONB841 0	M 5 a
b Home equity lines	RCONB842 0	RCONB843 0	RCONB844 0	RCONB845 0	M 5 b
c Automobile loans	RCONB846 0	RCONB847 0	RCONB848 0	RCONB849 0	M 5 c
d Other consumer loans	RCONB850 0	RCONB851 0	RCONB852 0	RCONB853 0	M 5 d
e Commercial and industrial loans	RCONB854 0	RCONB855 0	RCONB856 0	RCONB857 0	M 5 e
f Other	RCONB858 0	RCONB859 0	RCONB860 0	RCONB861 0	M 5 f
6 Structured financial products by underlying collateral or reference assets (for each column, sum of Memorandum items 6 a through 6 g must equal Schedule RC-B, sum of items 5 b(1) through(3))					M 6
a Trust preferred securities issued by financial institutions	RCONG348 0	RCONG349 0	RCONG350 0	RCONG351 0	M 6 a
b Trust preferred securities issued by real estate investment trusts	RCONG352 0	RCONG353 0	RCONG354 0	RCONG355 0	M 6 b
c Corporate and similar loans	RCONG356 0	RCONG357 0	RCONG358 0	RCONG359 0	M 6 c
d 1-4 family residential MBS issued or guaranteed by U S government-sponsored enterprises (GSEs)	RCONG360 0	RCONG361 0	RCONG362 0	RCONG363 0	M 6 d
e 1-4 family residential MBS not issued or guaranteed by GSEs	RCONG364 0	RCONG365 0	RCONG366 0	RCONG367 0	M 6 e
f Diversified (mixed) pools of structured financial products	RCONG368 0	RCONG369 0	RCONG370 0	RCONG371 0	M 6 f
g Other collateral or reference assets	RCONG372 0	RCONG373 0	RCONG374 0	RCONG375 0	M 6 g

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands	(Column A) To Be Completed by Banks with $300 Million or More in Total Assets		(Column B) To Be Completed by All Banks		
1 Loans secured by real estate					1
a Construction, land development, and other land loans					1 a
1 1-4 family residential construction loans			RCONF158	113,953	1 a 1
2 Other construction loans and all land development and other land loans			RCONF159	380,205	1 a 2
b Secured by farmland (including farm residential and other improvements)			RCON1420	103,159	1 b
c Secured by 1-4 family residential properties					1 c
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit			RCON1797	36,671	1 c 1
2 Closed-end loans secured by 1-4 family residential properties.					1 c 2
a Secured by first liens			RCON5367	922,187	1c2a
b Secured by junior liens			RCON5368	47,645	1c2b
d Secured by multifamily (5 or more) residential properties			RCON1460	85,352	1 d
e Secured by nonfarm nonresidential properties					1 e
1 Loans secured by owner-occupied nonfarm nonresidential properties			RCONF160	709,957	1 e 1
2 Loans secured by other nonfarm nonresidential properties			RCONF161	589,723	1 e 2
2 Loans to depository institutions and acceptances of other banks			RCON1288	0	2
a To commercial banks in the U S					2 a
1 To U S branches and agencies of foreign banks	RCONB532	0			2 a 1
2 To other commercial banks in the U S	RCONB533	0			2 a 2
b To other depository institutions in the U S	RCONB534	0			2 b
c To banks in foreign countries					2 c
1 To foreign branches of other U S banks	RCONB536	0			2 c 1
2 To other banks in foreign countries	RCONB537	0			2 c 2
3 Loans to finance agricultural production and other loans to farmers			RCON1590	41,376	3
4 Commercial and industrial loans			RCON1766	347,228	4
a To U S addressees (domicile)	RCON1763	347,117			4 a
b To non-U S addressees (domicile)	RCON1764	111			4 b
5 Not applicable					5
6 Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)					6
a Credit cards			RCONB538	0	6 a
b Other revolving credit plans			RCONB539	4,738	6 b
c Automobile loans			RCONK137	20,787	6 c
d Other consumer loans (includes single payment, installment, and all student loans)			RCONK207	57,101	6 d
7 Loans to foreign governments and official institutions (including foreign central banks)			RCON2081	0	7
8 Obligations (other than securities and leases) of states and political subdivisions in the U S			RCON2107	81,980	8
9 Loans to nondepository financial institutions and other loans					9
a Loans to nondepository financial institutions			RCONJ454	0	9 a
b Other loans			RCONJ464	30,722	9 b
1 Loans for purchasing or carrying securities (secured and unsecured)	RCON1545	6,758			9 b 1
2 All other loans (exclude consumer loans)	RCONJ451	23,964			9 b 2

Dollar amounts in thousands	(Column A) To Be Completed by Banks with $300 Million or More in Total Assets		(Column B) To Be Completed by All Banks		
10 Lease financing receivables (net of unearned income)			RCON2165	136	10
a Leases to individuals for household, family, and other personal expenditures (i e , consumer leases)	RCONF162	136			10 a
b All other leases	RCONF163	0			10 b
11 LESS Any unearned income on loans reflected in items 1-9 above			RCON2123	0	11
12 Total loans and leases, net of unearned income (sum of items 1 through 10 minus item 11) (must equal Schedule RC, sum of items 4 a and 4 b)			RCON2122	3,572,920	12

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands			
1 Loans restructured in troubled debt restructurings that are in compliance with their modified terms (included in Schedule RC-C, part 1, and not reported as past due or nonaccrual in Schedule RC-N, Memorandum item 1)			M 1
a Construction, land development, and other land loans			M 1 a
1 1-4 family residential construction loans	RCONK158	0	M 1 a 1
2 Other construction loans and all land development and other land loans	RCONK159	0	M 1 a 2
b Loans secured by 1-4 family residential properties	RCONF576	0	M 1 b
c Secured by multifamily (5 or more) residential properties	RCONK160	0	M 1 c
d Secured by nonfarm nonresidential properties			M 1 d
1 Loans secured by owner-occupied nonfarm nonresidential properties	RCONK161	2,531	M 1 d 1
2 Loans secured by other nonfarm nonresidential properties	RCONK162	0	M 1 d 2
e Commercial and industrial loans Memorandum items 1 e (1) and (2) are to be completed by banks with $300 million or more in total assets (Sum of Memorandum items 1 e (1) and (2) must equal Memorandum item 1 e)	RCONK256	78	M 1 e
1 To U S addressees (domicile)	RCONK163	78	M 1 e 1
2 To non-U S addressees (domicile)	RCONK164	0	M 1 e 2
f All other loans (include loans to individuals for household, family, and other personal expenditures)	RCONK165	14	M 1 f
1 Loans secured by farmland	RCONK166	0	M 1 f 1
2 Loans to depository institutions and acceptances of other banks	RCONK167	0	M 1 f 2
3 Not applicable			M 1 f 3
4 Loans to individuals for household, family, and other personal expenditures			M 1 f 4
a Credit cards	RCONK098	0	M 1 f 4 a
b Automobile loans	RCONK203	0	M 1 f 4 b
c Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONK204	14	M 1 f 4 c
5 Loans to foreign governments and official institutions	RCONK212	0	M 1 f 5
6 Other loans	RCONK267	0	M 1 f 6
a Loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, Memorandum item 1 f (6), above	RCONK168	0	M 1 f 6 a
2 Maturity and repricing data for loans and leases (excluding those in nonaccrual status)			M 2
a Closed-end loans secured by first liens on 1-4 family residential properties (reported in Schedule RC-C, part I, item 1 c (2)(a), column B, above) with a remaining maturity or next repricing date of			M 2 a
1 Three months or less	RCONA564	23,635	M 2 a 1
2 Over three months through 12 months	RCONA565	46,584	M 2 a 2
3 Over one year through three years	RCONA566	84,035	M 2 a 3
4 Over three years through five years	RCONA567	133,134	M 2 a 4

Dollar amounts in thousands			
5 Over five years through 15 years	RCONA568	600,724	M 2 a 5
6 Over 15 years	RCONA569	33,495	M 2 a 6
b All loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column B, above) EXCLUDING closed-end loans secured by first liens on 1-4 family residential properties (reported in Schedule RC-C, part I, item 1 c (2)(a), column B, above) with a remaining maturity or next repricing date of			M 2 b
1 Three months or less	RCONA570	331,069	M 2 b 1
2 Over three months through 12 months	RCONA571	407,915	M 2 b 2
3 Over one year through three years	RCONA572	521,585	M 2 b 3
4 Over three years through five years	RCONA573	451,824	M 2 b 4
5 Over five years through 15 years	RCONA574	660,316	M 2 b 5
6 Over 15 years	RCONA575	276,325	M 2 b 6
c Loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column B, above) with a REMAINING MATURITY of one year or less (excluding those in nonaccrual status)	RCONA247	428,841	M 2 c
3 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, part I, items 4 and 9, column B	RCON2746	41,987	M 3
4 Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties (included in Schedule RC-C, part I, item 1 c (2)(a), column B)	RCON5370	281,980	M 4
5 Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RC-C, part I, items 1 a through 1 e, column B)	RCONB837	7,508	M 5
6 Outstanding credit card fees and finance charges included in Schedule RC-C, part I, item 6 a	RCONC391	NR	M 6
7 Purchased impaired loans held for investment accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3) (exclude loans held for sale)			M 7
a Outstanding balance	RCONC779	0	M 7 a
b Carrying amount included in Schedule RC-C, part I, items 1 through 9	RCONC780	0	M 7 b
8 Closed-end loans with negative amortization features secured by 1-4 family residential properties			M 8
a Total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, part I, items 1 c (2)(a) and 1 c (2)(b))	RCONF230	0	M 8 a
b Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties	RCONF231	NR	M 8 b
c Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the carrying amount reported in Memorandum item 8 a above	RCONF232	NR	M 8 c
9 Loans secured by 1-4 family residential properties in process of foreclosure (included in Schedule RC-C, part I, items 1 c (1), 1 c (2)(a), and 1 c (2)(b))	RCONF577	1,699	M 9
10 Loans measured at fair value (included in Schedule RC-C, part I, items 1 through 9)			M 10
a Loans secured by real estate			M 10 a
1 Construction, land development, and other land loans	RCONF578	NR	M.10.a.1
2 Secured by farmland (including farm residential and other improvements)	RCONF579	NR	M.10.a.2
3 Secured by 1-4 family residential properties			M.10.a.3.
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF580	NR	M.10.a.3.a
b Closed-end loans secured by 1-4 family residential properties			M.10.a.3.b
1 Secured by first liens	RCONF581	NR	M.10.a.3.b.1
2 Secured by junior liens	RCONF582	NR	M.10.a.3.b.2
4 Secured by multifamily (5 or more) residential properties	RCONF583	NR	M.10.a.4
5 Secured by nonfarm nonresidential properties	RCONF584	NR	M.10.a.5
b Commercial and industrial loans	RCONF585	NR	M 10 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 10 c

Dollar amounts in thousands			
1 Credit cards	RCONF586	NR	M.10.c.1
2 Other revolving credit plans	RCONF587	NR	M.10.c.2
3 Automobile loans	RCONK196	NR	M.10.c.3
4 Other consumer loans (includes single payment, installment, and all student loans)	RCONK208	NR	M.10.c.4
d Other loans	RCONF589	NR	M.10.d
11 Unpaid principal balance of loans measured at fair value (reported in Schedule RC-C, part I, Memorandum item 10)			M.11
a Loans secured by real estate			M.11.a
1 Construction, and land development, and other land loans	RCONF590	NR	M.11.a.1
2 Secured by farmland (including farm residential and other improvements)	RCONF591	NR	M.11.a.2
3 Secured by 1-4 family residential properties			M.11.a.3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF592	NR	M.11.a.3.a
b Closed-end loans secured by 1-4 family residential properties			M.11.a.3.b
1 Secured by first liens	RCONF593	NR	M.11.a.3.b.1
2 Secured by junior liens	RCONF594	NR	M.11.a.3.b.2
4 Secured by multifamily (5 or more) residential properties	RCONF595	NR	M.11.a.4
5 Secured by nonfarm nonresidential properties	RCONF596	NR	M.11.a.5
b Commercial and industrial loans	RCONF597	NR	M.11.b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M.11.c
1 Credit cards	RCONF598	NR	M.11.c.1
2 Other revolving credit plans	RCONF599	NR	M.11.c.2
3 Automobile loans	RCONK195	NR	M.11.c.3
4 Other consumer loans (includes single payment, installment, and all student loans)	RCONK209	NR	M.11.c.4
d Other loans	RCONF601	NR	M.11.d

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands	(Column A) Fair value of acquired loans and leases at acquisition date	(Column B) Gross contractual amounts receivable at acquisition date	(Column C) Best estimate at acquisition date of contractual cash flows not expected to be collected	
12 Loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year				M.12
	RCONG091	RCONG092	RCONG093	
a Loans secured by real estate	0	0	0	M.12.a
	RCONG094	RCONG095	RCONG096	
b Commercial and industrial loans	0	0	0	M.12.b
	RCONG097	RCONG098	RCONG099	
c Loans to individuals for household, family, and other personal expenditures	0	0	0	M.12.c
	RCONG100	RCONG101	RCONG102	
d All other loans and all leases	0	0	0	M.12.d

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands			
13 Construction, land development, and other land loans in domestic offices with interest reserves			M 13
a Amount of loans that provide for the use of interest reserves (included in Schedule RC-C, part I, item 1 a, column B)	RCONG376	NR	M 13 a
b Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter (included in Schedule RI, item 1 a (1)(a)(2))	RIADG377	NR	M 13 b
14 Pledged loans and leases	RCONG378	228,092	M 14
15 Reverse mortgages			M 15
a Reverse mortgages outstanding that are held for investment (included in Schedule RC-C, item 1 c, above)			M 15 a
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ466	NR	M.15.a.1
2 Proprietary reverse mortgages	RCONJ467	NR	M.15.a.2
b Estimated number of reverse mortgage loan referrals to other lenders during the year from whom compensation has been received for services performed in connection with the origination of the reverse mortgages			M 15 b
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ468	NR	M.15.b.1
2 Proprietary reverse mortgages	RCONJ469	NR	M.15.b.2
c Principal amount of reverse mortgage originations that have been sold during the year			M 15 c
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ470	NR	M.15.c.1
2 Proprietary reverse mortgages	RCONJ471	NR	M.15.c.2

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands			
1 Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2), and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4, have original amounts of $100,000 or less	RCON6999	No	1
2 Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories			2
a "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2)	RCON5562	NR	2 a
b "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4	RCON5563	NR	2 b

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands	(Column A) Number of Loans		(Column B) Amount Currently Outstanding		
3 Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2)					3
a With original amounts of $100,000 or less	RCON5564	560	RCON5565	23,952	3 a
b With original amounts of more than $100,000 through $250,000	RCON5566	734	RCON5567	94,574	3 b
c With original amounts of more than $250,000 through $1,000,000	RCON5568	985	RCON5569	386,606	3 c
4 Number and amount currently outstanding of "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4					4
a With original amounts of $100,000 or less	RCON5570	2209	RCON5571	48,793	4 a
b With original amounts of more than $100,000 through $250,000	RCON5572	457	RCON5573	45,167	4 b
c With original amounts of more than $250,000 through $1,000,000	RCON5574	322	RCON5575	84,791	4 c

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands			
5 Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3, have original amounts of $100,000 or less	RCON6860	No	5
6 Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories			6
a "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b	RCON5576	NR	6 a
b "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3	RCON5577	NR	6 b

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands	(Column A) Number of Loans		(Column B) Amount Currently Outstanding		
7 Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b					7
a With original amounts of $100,000 or less	RCON5578	382	RCON5579	14,397	7 a
b With original amounts of more than $100,000 through $250,000	RCON5580	213	RCON5581	26,767	7 b
c With original amounts of more than $250,000 through $500,000	RCON5582	93	RCON5583	24,082	7 c
8 Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3					8
a With original amounts of $100,000 or less	RCON5584	862	RCON5585	14,694	8 a
b With original amounts of more than $100,000 through $250,000	RCON5586	95	RCON5587	8,443	8 b
c With original amounts of more than $250,000 through $500,000	RCON5588	43	RCON5589	6,602	8 c

Schedule RC-D - Trading Assets and Liabilities

Dollar amounts in thousands			
1 U S Treasury securities	RCON3531	NR	1
2 U S Government agency obligations (exclude mortgage-backed securities)	RCON3532	NR	2
3 Securities issued by states and political subdivisions in the U S	RCON3533	NR	3
4 Mortgage-backed securities (MBS)			4
a Residential mortgage pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA	RCONG379	NR	4 a
b Other residential MBS issued or guaranteed by FNMA, FHLMC, or GNMA (include CMOs, REMICs, and stripped MBS)	RCONG380	NR	4 b
c All other residential MBS	RCONG381	NR	4 c
d Commercial MBS issued or guaranteed by FNMA, FHLMC, or GNMA	RCONK197	NR	4 d
e All other commercial MBS	RCONK198	NR	4 e
5 Other debt securities			5
a Structured financial products			5 a
1 Cash	RCONG383	NR	5 a 1
2 Synthetic	RCONG384	NR	5 a 2
3 Hybrid	RCONG385	NR	5 a 3
b All other debt securities	RCONG386	NR	5 b
6 Loans			6
a Loans secured by real estate			6 a

Dollar amounts in thousands			
1 Construction, land development, and other land loans	RCONF604	NR	6 a 1
2 Secured by farmland (including farm residential and other improvements)	RCONF605	NR	6 a 2
3 Secured by 1-4 family residential properties			6 a 3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF606	NR	6 a 3 a
b Closed-end loans secured by 1-4 family residential properties			6 a 3 b
1 Secured by first liens	RCONF607	NR	6.a.3.b.1
2 Secured by junior liens	RCONF611	NR	6.a.3.b.2
4 Secured by multifamily (5 or more) residential properties	RCONF612	NR	6 a 4
5 Secured by nonfarm nonresidential properties	RCONF613	NR	6 a 5
b Commercial and industrial loans	RCONF614	NR	6 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			6 c
1 Credit cards	RCONF615	NR	6 c 1
2 Other revolving credit plans	RCONF616	NR	6 c 2
3 Automobile loans	RCONK199	NR	6 c 3
4 Other consumer loans (includes single payment, installment, and all student loans)	RCONK210	NR	6 c 4
d Other loans	RCONF618	NR	6 d
7 Not applicable			7
8 Not applicable			8
9 Other trading assets	RCON3541	NR	9
10 Not applicable			10
11 Derivatives with a positive fair value	RCON3543	0	11
12 Total trading assets (sum of items 1 through 11) (must equal Schedule RC, item 5)	RCON3545	0	12
13 Not available			13
a Liability for short positions	RCON3546	NR	13 a
b Other trading liabilities	RCONF624	NR	13 b
14 Derivatives with a negative fair value	RCON3547	0	14
15 Total trading liabilities (sum of items 13 a through 14) (must equal Schedule RC, item 15)	RCON3548	0	15
1 Unpaid principal balance of loans measured at fair value (reported in Schedule RC-D, items 6 a (1) through 6 d)			M 1
a Loans secured by real estate			M 1 a
1 Construction, land development, and other land loans	RCONF625	NR	M 1 a 1
2 Secured by farmland (including farm residential and other improvements)	RCONF626	NR	M 1 a 2
3 Secured by 1-4 family residential properties			M 1 a 3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF627	NR	M1a3a
b Closed-end loans secured by 1-4 family residential properties			M1a3b
1 Secured by first liens	RCONF628	NR	M1a3b1
2 Secured by junior liens	RCONF629	NR	M1a3b2
4 Secured by multifamily (5 or more) residential properties	RCONF630	NR	M 1 a 4
5 Secured by nonfarm nonresidential properties	RCONF631	NR	M 1 a 5
b Commercial and industrial loans	RCONF632	NR	M 1 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 1 c
1 Credit cards	RCONF633	NR	M 1 c 1
2 Other revolving credit plans	RCONF634	NR	M 1 c 2
3 Automobile loans	RCONK200	NR	M 1 c 3
4 Other consumer loans (includes single payment, installment, and all student loans)	RCONK211	NR	M 1 c 4

Dollar amounts in thousands			
d Other loans	RCONF636	NR	M 1 d
2 Loans measured at fair value that are past due 90 days or more			M 2
a Fair value	RCONF639	NR	M 2 a
b Unpaid principal balance	RCONF640	NR	M 2 b
3 Structured financial products by underlying collateral or reference assets (sum of Memorandum items 3 a through 3 g must equal Schedule RC-D, sum of items 5 a (1) through (3))			M 3
a Trust preferred securities issued by financial institutions	RCONG299	NR	M 3 a
b Trust preferred securities issued by real estate investment trusts	RCONG332	NR	M 3 b
c Corporate and similar loans	RCONG333	NR	M 3 c
d 1-4 family residential MBS issued or guaranteed by U S government-sponsored enterprises (GSEs)	RCONG334	NR	M 3 d
e 1-4 family residential MBS not issued or guaranteed by GSEs	RCONG335	NR	M 3 e
f Diversified (mixed) pools of structured financial products	RCONG651	NR	M 3 f
g Other collateral or reference assets	RCONG652	NR	M 3 g
4 Pledged trading assets			M 4
a Pledged securities	RCONG387	NR	M 4 a
b Pledged loans	RCONG388	NR	M 4 b
5 Asset-backed securities			M 5
a Credit card receivables	RCONF643	NR	M 5 a
b Home equity lines	RCONF644	NR	M 5 b
c Automobile loans	RCONF645	NR	M 5 c
d Other consumer loans	RCONF646	NR	M 5 d
e Commercial and industrial loans	RCONF647	NR	M 5 e
f Other	RCONF648	NR	M 5 f
6 Retained beneficial interests in securitizations (first-loss or equity tranches)	RCONF651	NR	M 6
7 Equity securities (included in Schedule RC-D, item 9, above)			M 7
a Readily determinable fair values	RCONF652	NR	M 7 a
b Other	RCONF653	NR	M 7 b
8 Loans pending securitization	RCONF654	NR	M 8
9 Other trading assets (itemize and describe amounts included in Schedule RC-D, item 9, that are greater than $25,000 and exceed 25% of the item)			M 9
a Disclose component and the dollar amount of that component			M 9 a
1 Describe component	TEXTF655	NR	M 9 a 1
2 Amount of component	RCONF655	NR	M 9 a 2
b Disclose component and the dollar amount of that component			M 9 b
1 Describe component	TEXTF656	NR	M 9 b 1
2 Amount of component	RCONF656	NR	M 9 b 2
c Disclose component and the dollar amount of that component			M 9 c
1 Describe component	TEXTF657	NR	M 9 c 1
2 Amount of component	RCONF657	NR	M 9 c 2
10 Other trading liabilities (itemize and describe amounts included in Schedule RC-D, item 13 b, that are greater than $25,000 and exceed 25% of the item)			M 10
a Disclose component and the dollar amount of that component			M 10 a
1 Describe component	TEXTF658	NR	M.10.a.1
2 Amount of component	RCONF658	NR	M.10.a.2
b Disclose component and the dollar amount of that component			M 10 b
1 Describe component	TEXTF659	NR	M.10.b.1
2 Amount of component	RCONF659	NR	M.10.b.2
c Disclose component and the dollar amount of that component			M 10 c
1 Describe component	TEXTF660	NR	M.10.c.1
2 Amount of component	RCONF660	NR	M.10.c.2

Schedule RC-E - Deposit Liabilities

Dollar amounts in thousands	(Column A) Transaction Accounts Total transaction accounts (including total demand deposits)	(Column B) Transaction Accounts Memo: Total demand deposits (included in column A)	(Column C) Nontransaction Accounts Total nontransaction accounts (including MMDAs)	
Deposits of				
1 Individuals, partnerships, and corporations (include all certified and official checks)	RCONB549 555,930		RCONB550 5,665,310	1
2 U S Government	RCON2202 0		RCON2520 0	2
3 States and political subdivisions in the U S	RCON2203 129,282		RCON2530 1,474,467	3
4 Commercial banks and other depository institutions in the U S	RCONB551 0		RCONB552 0	4
5 Banks in foreign countries	RCON2213 0		RCON2236 0	5
6 Foreign governments and official institutions (including foreign central banks)	RCON2216 0		RCON2377 0	6
7 Total (sum of items 1 through 6) (sum of columns A and C must equal Schedule RC, item 13 a)	RCON2215 685,212	RCON2210 447,249	RCON2385 7,139,777	7

Schedule RC-E - Deposit Liabilities

Dollar amounts in thousands			
1 Selected components of total deposits (i e , sum of item 7, columns A and C)			M 1
a Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts	RCON6835	253,534	M 1 a
b Total brokered deposits	RCON2365	0	M 1 b
c Fully insured brokered deposits (included in Memorandum item 1 b above)			M 1 c
1 Brokered deposits of less than $100,000	RCON2343	0	M 1 c 1
2 Brokered deposits of $100,000 through $250,000 and certain brokered retirement deposit accounts	RCONJ472	0	M 1 c 2
d Maturity data for brokered deposits			M 1 d
1 Brokered deposits of less than $100,000 with a remaining maturity of one year or less (included in Memorandum item 1 c (1) above)	RCONA243	0	M 1 d 1
2 Brokered deposits of $100,000 through $250,000 with a remaining maturity of one year or less (included in Memorandum item 1 c (2) above)	RCONK219	0	M 1 d 2
3 Brokered deposits of more than $250,000 with a remaining maturity of one year or less (included in Memorandum item 1 b above)	RCONK220	0	M 1 d 3
e Preferred deposits (uninsured deposits of states and political subdivisions in the U S reported in item 3 above which are secured or collateralized as required under state law) (to be completed for the December report only)	RCON5590	NR	M 1 e
f Estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits	RCONK223	0	M 1 f
2 Components of total nontransaction accounts (sum of Memorandum items 2 a through 2 d must equal item 7, column C above)			M.2
a Savings deposits			M 2 a
1 Money market deposit accounts (MMDAs)	RCON6810	4,500,610	M.2.a 1
2 Other savings deposits (excludes MMDAs)	RCON0352	454,649	M 2 a 2
b Total time deposits of less than $100,000	RCON6648	1,073,318	M 2 b

Dollar amounts in thousands			
c Total time deposits of $100,000 through $250,000	RCONJ473	705,080	M 2 c
d Total time deposits of more than $250,000	RCONJ474	406,119	M 2 d
e Individual Retirement Accounts (IRAs) and Keogh Plan accounts of $100,000 or more included in Memorandum items 2 c and 2 d above	RCONF233	59,639	M 2 e
3 Maturity and repricing data for time deposits of less than $100,000			M 3
a Time deposits of less than $100,000 with a remaining maturity or next repricing date of			M 3 a
1 Three months or less	RCONA579	295,654	M 3 a 1
2 Over three months through 12 months	RCONA580	590,651	M 3 a 2
3 Over one year through three years	RCONA581	144,511	M 3 a 3
4 Over three years	RCONA582	42,502	M 3 a 4
b Time deposits of less than $100,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 3 a (1) and 3 a (2) above)	RCONA241	882,925	M 3 b
4 Maturity and repricing data for time deposits of $100,000 or more			M 4
a Time deposits of $100,000 or more with a remaining maturity or next repricing date of			M 4 a
1 Three months or less	RCONA584	315,781	M 4 a 1
2 Over three months through 12 months	RCONA585	624,264	M 4 a 2
3 Over one year through three years	RCONA586	130,154	M 4 a 3
4 Over three years	RCONA587	41,000	M 4 a 4
b Time deposits of $100,000 through $250,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 4 a (1) and 4 a (2) above)	RCONK221	581,828	M 4 b
c Time deposits of more than $250,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 4 a (1) and 4 a (2) above)	RCONK222	358,217	M 4 c

Schedule RC-F - Other Assets

Dollar amounts in thousands			
1 Accrued interest receivable	RCONB556	29,803	1
2 Net deferred tax assets	RCON2148	0	2
3 Interest-only strips receivable (not in the form of a security) on			3
a Mortgage loans	RCONA519	0	3 a
b Other financial assets	RCONA520	0	3 b
4 Equity securities that DO NOT have readily determinable fair values	RCON1752	22,793	4
5 Life insurance assets			5
a General account life insurance assets	RCONK201	31,250	5 a
b Separate account life insurance assets	RCONK202	17,879	5 b
c Hybrid account life insurance assets	RCONK270	0	5 c
6 All other assets (itemize and describe amounts greater than $25,000 that exceed 25% of this item)	RCON2168	33,072	6
a Prepaid expenses	RCON2166	0	6 a
b Repossessed personal property (including vehicles)	RCON1578	0	6 b
c Derivatives with a positive fair value held for purposes other than trading	RCONC010	0	6 c
d Retained interests in accrued interest receivable related to securitized credit cards	RCONC436	0	6 d
e FDIC loss-sharing indemnification assets	RCONJ448	0	6 e
f Prepaid deposit insurance assessments	RCONJ449	CONF	6 f
g Disclose component and the dollar amount of that component			6 g
1 Describe component	TEXT3549	NR	6 g 1
2 Amount of component	RCON3549	0	6 g 2
h Disclose component and the dollar amount of that component			6 h
1 Describe component	TEXT3550	NR	6 h 1
2 Amount of component	RCON3550	0	6 h 2

Dollar amounts in thousands			
i Disclose component and the dollar amount of that component			6 i
1 Describe component	TEXT3551	NR	6 i 1
2 Amount of component	RCON3551	0	6 i 2
7 Total (sum of items 1 through 6) (must equal Schedule RC, item 11)	RCON2160	134,797	7

Schedule RC-G - Other Liabilities

Dollar amounts in thousands			
1 Not available			1
a Interest accrued and unpaid on deposits	RCON3645	3,363	1 a
b Other expenses accrued and unpaid (includes accrued income taxes payable)	RCON3646	42,759	1 b
2 Net deferred tax liabilities	RCON3049	12,469	2
3 Allowance for credit losses on off-balance sheet credit exposures	RCONB557	0	3
4 All other liabilities	RCON2938	9,142	4
a Accounts payable	RCON3066	0	4 a
b Deferred compensation liabilities	RCONC011	0	4 b
c Dividends declared but not yet payable	RCON2932	0	4 c
d Derivatives with a negative fair value held for purposes other than trading	RCONC012	0	4 d
e Disclose component and the dollar amount of that component			4 e
1 Describe component	TEXT3552	Escrow Deposits	4 e 1
2 Amount of component	RCON3552	5,628	4 e 2
f Disclose component and the dollar amount of that component			4 f
1 Describe component	TEXT3553	NR	4 f 1
2 Amount of component	RCON3553	0	4 f 2
g Disclose component and the dollar amount of that component			4 g
1 Describe component	TEXT3554	NR	4 g 1
2 Amount of component	RCON3554	0	4 g 2
5 Total	RCON2930	67,733	5

Schedule RC-K - Quarterly Averages

Dollar amounts in thousands			
1 Interest-bearing balances due from depository institutions	RCON3381	12,730	1
2 U S Treasury securities and U S Government agency obligations (excluding mortgage-backed securities)	RCONB558	10,143	2
3 Mortgage-backed securities	RCONB559	4,539,449	3
4 All other securities (includes securities issued by states and political subdivisions in the U S)	RCONB560	122,232	4
5 Federal funds sold and securities purchased under agreements to resell	RCON3365	7,738	5
6 Loans			6
a Total loans	RCON3360	3,516,524	6 a
b Loans secured by real estate			6 b
1 Loans secured by 1-4 family residential properties	RCON3465	967,656	6 b 1
2 All other loans secured by real estate	RCON3466	1,984,500	6 b 2
c Commercial and industrial loans	RCON3387	357,611	6 c
d Loans to individuals for household, family, and other personal expenditures			6 d
1 Credit cards	RCONB561	0	6 d 1
2 Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONB562	92,775	6 d 2
7 Trading assets	RCON3401	0	7
8 Lease financing receivables (net of unearned income)	RCON3484	98	8

Dollar amounts in thousands			
9 Total assets	RCON3368	9,543,045	9
10 Interest-bearing transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) (exclude demand deposits)	RCON3485	232,407	10
11 Nontransaction accounts			11
a Savings deposits (includes MMDAs)	RCONB563	4,944,827	11 a
b Time deposits of $100,000 or more	RCONA514	1,082,665	11 b
c Time deposits of less than $100,000	RCONA529	1,094,902	11 c
12 Federal funds purchased and securities sold under agreements to repurchase	RCON3353	51,609	12
13 Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	RCON3355	191,946	13
1 Loans to finance agricultural production and other loans to farmers	RCON3386	40,860	M 1

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
1 Unused commitments			1
a Revolving, open-end lines secured by 1-4 family residential properties, i e , home equity lines	RCON3814	19,888	1 a
1 Unused commitments for Home Equity Conversion Mortgage (HECM) reverse mortgages outstanding that are held for investment (included in item 1 a above)	RCONJ477	NR	1 a 1
2 Unused commitments for proprietary reverse mortgages outstanding that are held for investment (included in item 1 a above)	RCONJ478	NR	1 a 2
b Credit card lines (Sum of items 1 b (1) and 1 b (2) must equal item 1 b)	RCON3815	0	1 b
1 Unused consumer credit card lines	RCONJ455	0	1 b 1
2 Other unused credit card lines	RCONJ456	0	1 b 2
c Commitments to fund commercial real estate, construction, and land development loans			1 c
1 Secured by real estate			1 c 1
a 1-4 family residential construction loan commitments	RCONF164	82,509	1 c 1 a
b Commercial real estate, other construction loan, and land development loan commitments	RCONF165	91,098	1 c 1 b
2 Not secured by real estate	RCON6550	4,331	1 c 2
d Securities underwriting	RCON3817	0	1 d
e Other unused commitments			1 e
1 Commercial and industrial loans	RCONJ457	188,737	1 e 1
2 Loans to financial institutions	RCONJ458	0	1 e 2
3 All other unused commitments	RCONJ459	57,857	1 e 3
2 Financial standby letters of credit	RCON3819	15,312	2
a Amount of financial standby letters of credit conveyed to others	RCON3820	0	2 a
3 Performance standby letters of credit	RCON3821	0	3
a Amount of performance standby letters of credit conveyed to others	RCON3822	0	3 a
4 Commercial and similar letters of credit	RCON3411	0	4
5 Not applicable			5
6 Securities lent (including customers' securities lent where the customer is indemnified against loss by the reporting bank)	RCON3433	0	6

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Sold Protection	(Column B) Purchased Protection	
7 Credit derivatives			7
a Notional amounts			7 a

Dollar amounts in thousands	(Column A) Sold Protection		(Column B) Purchased Protection		
1 Credit default swaps	RCONC968	0	RCONC969	0	7 a 1
2 Total return swaps	RCONC970	0	RCONC971	0	7 a 2
3 Credit options	RCONC972	0	RCONC973	0	7 a 3
4 Other credit derivatives	RCONC974	0	RCONC975	0	7 a 4
b Gross fair values					7 b
1 Gross positive fair value	RCONC219	0	RCONC221	0	7 b 1
2 Gross negative fair value	RCONC220	0	RCONC222	0	7 b 2

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
c Notational amounts by regulatory capital treatment			7 c
1 Positions covered under the Market Risk Rule			7 c 1
a Sold protection	RCONG401	0	7 c 1 a
b Purchased protection	RCONG402	0	7 c 1 b
2 All other positions			7 c 2
a Sold protection	RCONG403	0	7 c 2 a
b Purchased protection that is recognized as a guarantee for regulatory capital purposes	RCONG404	0	7 c 2 b
c Purchased protection that is not recognized as a guarantee for regulatory capital purposes	RCONG405	0	7 c 2 c

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Remaining Maturity of One Year or Less	(Column B) Remaining Maturity of Over One Year Through Five Years	(Column C) Remaining Maturity of Over Five Years	
d Notional amounts by remaining maturity				7 d
1 Sold credit protection				7 d 1
	RCONG406	RCONG407	RCONG408	
a Investment grade	0	0	0	7 d 1 a
	RCONG409	RCONG410	RCONG411	
b Subinvestment grade	0	0	0	7 d 1 b
2 Purchased credit protection				7 d 2
	RCONG412	RCONG413	RCONG414	
a Investment grade	0	0	0	7 d 2 a
	RCONG415	RCONG416	RCONG417	
b Subinvestment grade	0	0	0	7 d 2 b

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
8 Spot foreign exchange contracts	RCON8765	0	8
9 All other off-balance sheet liabilities (exclude derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 27 a, "Total bank equity capital")	RCON3430	0	9

Dollar amounts in thousands			
a Securities borrowed	RCON3432	0	9 a
b Commitments to purchase when-issued securities	RCON3434	0	9 b
c Standby letters of credit issued by a Federal Home Loan Bank on the bank's behalf	RCONC978	0	9 c
d Disclose component and the dollar amount of that component			9 d
1 Describe component	TEXT3555	NR	9 d 1
2 Amount of component	RCON3555	0	9 d 2
e Disclose component and the dollar amount of that component			9 e
1 Describe component	TEXT3556	NR	9 e 1
2 Amount of component	RCON3556	0	9 e 2
f Disclose component and the dollar amount of that component			9 f
1 Describe component	TEXT3557	NR	9 f 1
2 Amount of component	RCON3557	0	9 f 2
10 All other off-balance sheet assets (exclude derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 27 a, "Total bank equity capital")	RCON5591	0	10
a Commitments to sell when-issued securities	RCON3435	0	10 a
b Disclose component and the dollar amount of that component			10 b
1 Describe component	TEXT5592	NR	10 b 1
2 Amount of component	RCON5592	0	10 b 2
c Disclose component and the dollar amount of that component			10 c
1 Describe component	TEXT5593	NR	10 c 1
2 Amount of component	RCON5593	0	10 c 2
d Disclose component and the dollar amount of that component			10 d
1 Describe component	TEXT5594	NR	10 d 1
2 Amount of component	RCON5594	0	10 d 2
e Disclose component and the dollar amount of that component			10 e
1 Describe component	TEXT5595	NR	10 e 1
2 Amount of component	RCON5595	0	10 e 2
11 Year-to-date merchant credit card sales volume			11
a Sales for which the reporting bank is the acquiring bank	RCONC223	0	11 a
b Sales for which the reporting bank is the agent bank with risk	RCONC224	0	11 b

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts	
12 Gross amounts (e g , notional amounts)					12
a Futures contracts	RCON8693 0	RCON8694 0	RCON8695 0	RCON8696 0	12 a
b Forward contracts	RCON8697 0	RCON8698 0	RCON8699 0	RCON8700 0	12 b
c Exchange-traded option contracts					12 c
1 Written options	RCON8701 0	RCON8702 0	RCON8703 0	RCON8704 0	12 c 1
2 Purchased options	RCON8705 0	RCON8706 0	RCON8707 0	RCON8708 0	12 c 2
d Over-the-counter option contracts					12 d
1 Written options	RCON8709 0	RCON8710 0	RCON8711 0	RCON8712 0	12 d 1
2 Purchased options	RCON8713 0	RCON8714 0	RCON8715 0	RCON8716 0	12 d 2
e Swaps	RCON3450 0	RCON3826 0	RCON8719 0	RCON8720 0	12 e
13 Total gross notional amount of derivative contracts held for trading	RCONA126 0	RCONA127 0	RCON8723 0	RCON8724 0	13
14 Total gross notional amount of derivative contracts held for purposes other than trading	RCON8725 0	RCON8726 0	RCON8727 0	RCON8728 0	14
a Interest rate swaps where the bank has agreed to pay a fixed rate	RCONA589 0				14 a
15 Not available					15
a Contracts held for trading					15 a
1 Gross positive fair value	RCON8733 0	RCON8734 0	RCON8735 0	RCON8736 0	15 a 1
2 Gross negative fair value	RCON8737 0	RCON8738 0	RCON8739 0	RCON8740 0	15 a 2

Dollar amounts in thousands	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts	
b Contracts held for purposes other than trading					15 b
1 Gross positive fair value	RCON8741 0	RCON8742 0	RCON8743 0	RCON8744 0	15 b 1
2 Gross negative fair value	RCON8745 0	RCON8746 0	RCON8747 0	RCON8748 0	15 b 2

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Banks and Securities Firms	(Column B) Monoline Financial Guarantors	(Column C) Hedge Funds	(Column D) Sovereign Governments	(Column E) Corporations and All Other Counterparties	
16 Over-the counter derivatives						16
a Net current credit exposure	RCONG418 NR	RCONG419 NR	RCONG420 NR	RCONG421 NR	RCONG422 NR	16 a
b Fair value of collateral						16 b
1 Cash - U S dollar	RCONG423 NR	RCONG424 NR	RCONG425 NR	RCONG426 NR	RCONG427 NR	16 b 1
2 Cash - Other currencies	RCONG428 NR	RCONG429 NR	RCONG430 NR	RCONG431 NR	RCONG432 NR	16 b 2
3 U S Treasury securities	RCONG433 NR	RCONG434 NR	RCONG435 NR	RCONG436 NR	RCONG437 NR	16 b 3
4 U S Government agency and U S Government-sponsored agency debt securities	RCONG438 NR	RCONG439 NR	RCONG440 NR	RCONG441 NR	RCONG442 NR	16 b 4
5 Corporate bonds	RCONG443 NR	RCONG444 NR	RCONG445 NR	RCONG446 NR	RCONG447 NR	16 b 5
6 Equity securities	RCONG448 NR	RCONG449 NR	RCONG450 NR	RCONG451 NR	RCONG452 NR	16 b 6
7 All other collateral	RCONG453 NR	RCONG454 NR	RCONG455 NR	RCONG456 NR	RCONG457 NR	16 b 7
8 Total fair value of collateral (sum of items 16 b (1) through (7))	RCONG458 NR	RCONG459 NR	RCONG460 NR	RCONG461 NR	RCONG462 NR	16 b 8

Schedule RC-M - Memoranda

Dollar amounts in thousands			
1 Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date			1
a Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests	RCON6164	7,668	1 a
b Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as defined for this purpose in agency regulations	RCON6165	5	1 b
2 Intangible assets other than goodwill			2
a Mortgage servicing assets	RCON3164	0	2 a
1 Estimated fair value of mortgage servicing assets	RCONA590	0	2 a 1
b Purchased credit card relationships and nonmortgage servicing assets	RCONB026	0	2 b
c All other identifiable intangible assets	RCON5507	26,741	2 c
d Total (sum of items 2 a, 2 b, and 2 c) (must equal Schedule RC, item 10 b)	RCON0426	26,741	2 d
3 Other real estate owned			3
a Construction, land development, and other land	RCON5508	6,257	3 a
b Farmland	RCON5509	0	3 b
c 1-4 family residential properties	RCON5510	2,419	3 c
d Multifamily (5 or more) residential properties	RCON5511	0	3 d
e Nonfarm nonresidential properties	RCON5512	1,789	3 e
f Foreclosed properties from "GNMA loans"	RCONC979	0	3 f
g Total (sum of items 3 a through 3 f) (must equal Schedule RC, item 7)	RCON2150	10,465	3 g
4 Not applicable			4
5 Other borrowed money			5
a Federal Home Loan Bank advances			5 a
1 Advances with a remaining maturity or next repricing date of			5 a 1
a One year or less	RCONF055	214,557	5 a 1 a
b Over one year through three years	RCONF056	422	5 a 1 b
c Over three years through five years	RCONF057	1,641	5 a 1 c
d Over five years	RCONF058	11,472	5 a 1 d
2 Advances with a remaining maturity of one year or less (included in item 5 a (1)(a) above)	RCON2651	214,557	5 a 2
3 Structured advances (included in items 5 a (1)(a) - (d) above)	RCONF059	0	5 a 3
b Other borrowings			5 b
1 Other borrowings with a remaining maturity of next repricing date of			5 b 1
a One year or less	RCONF060	0	5 b 1 a
b Over one year through three years	RCONF061	0	5 b 1 b
c Over three years through five years	RCONF062	0	5 b 1 c
d Over five years	RCONF063	0	5 b 1 d
2 Other borrowings with a remaining maturity of one year or less (included in item 5 b (1)(a) above)	RCONB571	0	5 b 2
c Total (sum of items 5 a (1)(a)-(d) and items 5 b (1)(a)-(d)) (must equal Schedule RC, item 16)	RCON3190	228,092	5 c
6 Does the reporting bank sell private label or third party mutual funds and annuities?	RCONB569	Yes	6
7 Assets under the reporting bank's management in proprietary mutual funds and annuities	RCONB570	0	7
8 Primary Internet Web site address of the bank (home page), if any (Example www examplebank com)	TEXT4087	Click here for value	8
9 Do any of the bank's Internet Web sites have transactional capability, i e , allow the bank's customers to execute transactions on their accounts through the Web site?	RCON4088	Yes	9
10 Secured liabilities			10

Dollar amounts in thousands			
a Amount of "Federal funds purchased" that are secured (included in Schedule RC, item 14 a)	RCONF064	0	10 a
b Amount of "Other borrowings" that are secured (included in Schedule RC-M, items 5 b (1)(a) - (d))	RCONF065	0	10 b
11 Does the bank act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts?	RCONG463	No	11
12 Does the bank provide custody, safekeeping, or other services involving the acceptance of orders for the sale or purchase of securities?	RCONG464	No	12
13 Assets covered by loss-sharing agreements with the FDIC			13
a Loans and leases (included in Schedule RC, items 4 a and 4 b)			13 a
1 Loans secured by real estate			13 a 1
a Construction, land development, and other land loans			13.a.1.a
1 1-4 family residential construction loans	RCONK169	0	13a1a1
2 Other construction loans and all land development and other land loans	RCONK170	0	13a1a2
b Secured by farmland	RCONK171	0	13 a 1 b.
c Secured by 1-4 family residential properties			13.a 1 c.
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONK172	0	13a1c1
2 Closed-end loans secured by 1-4 family residential properties			13a1c2
a Secured by first liens	RCONK173	0	13a1c2a
b Secured by junior liens	RCONK174	0	13a1c2b
d Secured by multifamily (5 or more) residential properties	RCONK175	0	13.a 1 d.
e Secured by nonfarm nonresidential properties			13.a 1 e
1 Loans secured by owner-occupied nonfarm nonresidential properties	RCONK176	0	13a1e1
2 Loans secured by other nonfarm nonresidential properties	RCONK177	0	13a1e2
2 Not applicable			13 a 2
3 Commercial and industrial loans	RCONK179	0	13 a 3
4 Loans to individuals for household, family, and other personal expenditures			13 a 4
a Credit cards	RCONK180	0	13.a 4 a
b Automobile loans	RCONK181	0	13 a 4 b.
c Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONK182	0	13.a 4.c.
5 All other loans and all leases	RCONK183	0	13 a 5
a Loans to depository institutions and acceptances of other banks	RCONK184	0	13.a 5.a
b Loans to foreign governments and official institutions	RCONK185	0	13.a.5 b.
c Other loans	RCONK186	0	13.a 5 c
1 Loans to finance agricultural production and other loans to farmers included in Schedule RC-M, item 13 a (5)(c), above	RCONK178	0	13a5c1
d Lease financing receivables	RCONK273	0	13.a 5 d
b Other real estate owned (included in Schedule RC, item 7)			13 b
1 Construction, land development, and other land	RCONK187	0	13 b 1
2 Farmland	RCONK188	0	13 b 2
3 1-4 family residential properties	RCONK189	0	13 b 3
4 Multifamily (5 or more) residential properties	RCONK190	0	13 b 4
5 Nonfarm nonresidential properties	RCONK191	0	13 b 5
6 Not applicable			13 b 6
7 Portion of covered other real estate owned included in items 13 b (1) through (5) above that is protected by FDIC loss-sharing agreements	RCONK192	0	13 b 7
c Debt securities (included in Schedule RC, items 2 a and 2 b)	RCONJ461	0	13 c
d Other assets (exclude FDIC loss-sharing indemnification assets)	RCONJ462	0	13 d
14 Captive insurance and reinsurance subsidiaries			14
a Total assets of captive insurance subsidiaries	RCONK193	0	14 a

Dollar amounts in thousands			
b Total assets of captive reinsurance subsidiaries	RCONK194	0	14 b

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Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
1 Loans secured by real estate				1
a Construction, land development, and other land loans				1 a
	RCONF172	RCONF174	RCONF176	
1 1-4 family residential construction loans	2,698	0	48	1 a 1
	RCONF173	RCONF175	RCONF177	
2 Other construction loans and all land development and other land loans	852	75	131	1 a 2
	RCON3493	RCON3494	RCON3495	
b Secured by farmland	204	0	0	1 b
c Secured by 1-4 family residential properties				1 c
	RCON5398	RCON5399	RCON5400	
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	63	0	0	1 c 1
2 Closed-end loans secured by 1-4 family residential properties				1 c 2
	RCONC236	RCONC237	RCONC229	
a Secured by first liens	4,888	0	580	1 c 2 a
	RCONC238	RCONC239	RCONC230	
b Secured by junior liens	39	0	130	1 c 2 b
	RCON3499	RCON3500	RCON3501	
d Secured by multifamily (5 or more) residential properties	3,523	0	0	1 d
e Secured by nonfarm nonresidential properties				1 e
	RCONF178	RCONF180	RCONF182	
1 Loans secured by owner-occupied nonfarm nonresidential properties	2,393	0	539	1 e 1
	RCONF179	RCONF181	RCONF183	
2 Loans secured by other nonfarm nonresidential properties	2,259	0	0	1 e 2
	RCONB834	RCONB835	RCONB836	
2 Loans to depository institutions and acceptances of other banks	0	0	0	2
3 Not applicable				3
	RCON1606	RCON1607	RCON1608	
4 Commercial and industrial loans	2,257	0	812	4
5 Loans to individuals for household, family, and other personal expenditures				5
	RCONB575	RCONB576	RCONB577	
a Credit cards	0	0	0	5 a
	RCONK213	RCONK214	RCONK215	
b Automobile loans	96	0	0	5 b

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
c Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONK216	RCONK217	RCONK218	
	214	0	22	5 c
6 Loans to foreign governments and official institutions	RCON5389	RCON5390	RCON5391	
	0	0	0	6
7 All other loans	RCON5459	RCON5460	RCON5461	
	82	0	17	7
8 Lease financing receivables	RCON1226	RCON1227	RCON1228	
	0	0	0	8
9 Debt securities and other assets (exclude other real estate owned and other repossessed assets)	RCON3505	RCON3506	RCON3507	
	0	0	0	9
10 Loans and leases reported in items 1 through 8 above that are wholly or partially guaranteed by the U S Government, excluding loans and leases covered by loss-sharing agreements with the FDIC	RCONK036	RCONK037	RCONK038	
	271	0	60	10
a Guaranteed portion of loans and leases included in item 10 above, excluding rebooked "GNMA loans"	RCONK039	RCONK040	RCONK041	
	208	0	30	10 a
b Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 10 above	RCONK042	RCONK043	RCONK044	
	0	0	0	10 b
11 Loans and leases reported in items 1 through 8 above that are covered by loss-sharing agreements with the FDIC				11
a Loans secured by real estate				11 a
1 Construction, land development, and other land loans				11 a 1
a 1-4 family residential construction loans	RCONK045	RCONK046	RCONK047	
	0	0	0	11 a 1 a
b Other construction loans and all land development and other land loans	RCONK048	RCONK049	RCONK050	
	0	0	0	11 a 1 b
2 Secured by farmland	RCONK051	RCONK052	RCONK053	
	0	0	0	11 a 2
3 Secured by 1-4 family residential properties				11 a 3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONK054	RCONK055	RCONK056	
	0	0	0	11 a 3 a
b Closed-end loans secured by 1-4 family residential properties				11 a 3 b
1 Secured by first liens	RCONK057	RCONK058	RCONK059	
	0	0	0	11a3b1
2 Secured by junior liens	RCONK060	RCONK061	RCONK062	
	0	0	0	11a3b2
4 Secured by multifamily (5 or more) residential properties	RCONK063	RCONK064	RCONK065	
	0	0	0	11 a 4
5 Secured by nonfarm nonresidential properties				11 a 5
a Loans secured by owner-occupied nonfarm nonresidential properties	RCONK066	RCONK067	RCONK068	
	0	0	0	11 a 5 a
b Loans secured by other nonfarm nonresidential properties	RCONK069	RCONK070	RCONK071	
	0	0	0	11 a 5 b

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
b Not applicable				11 b
	RCONK075	RCONK076	RCONK077	
c Commercial and industrial loans	0	0	0	11 c
d Loans to individuals for household, family, and other personal expenditures				11 d
	RCONK078	RCONK079	RCONK080	
1 Credit cards	0	0	0	11 d 1
	RCONK081	RCONK082	RCONK083	
2 Automobile loans	0	0	0	11 d 2
	RCONK084	RCONK085	RCONK086	
3 Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	0	0	11 d 3
	RCONK087	RCONK088	RCONK089	
e All other loans and all leases	0	0	0	11 e
	RCONK091	RCONK092	RCONK093	
1 Loans to depository institutions and acceptances of other banks	0	0	0	11 e 1
	RCONK095	RCONK096	RCONK097	
2 Loans to foreign governments and official institutions	0	0	0	11 e 2
	RCONK099	RCONK100	RCONK101	
3 Other loans	0	0	0	11 e 3
	RCONK072	RCONK073	RCONK074	
a Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, item 11 e (3), above	0	0	0	11 e.3 a
	RCONK269	RCONK271	RCONK272	
4 Lease financing receivables	0	0	0	11 e 4
	RCONK102	RCONK103	RCONK104	
f Portion of covered loans and leases included in items 11 a through 11 e above that is protected by FDIC loss-sharing agreements	0	0	0	11 f
1 Loans restructured in troubled debt restructurings included in Schedule RC-N, items 1 through 7, above (and not reported in Schedule RC-C, Part 1, Memorandum item 1)				M 1
a Construction, land development, and other land loans				M 1 a
	RCONK105	RCONK106	RCONK107	
1 1-4 family residential construction loans	761	0	0	M 1 a 1
	RCONK108	RCONK109	RCONK110	
2 Other construction loans and all land development and other land loans	0	0	0	M 1 a 2
	RCONF661	RCONF662	RCONF663	
b Loans secured by 1-4 family residential properties	0	0	0	M 1 b
	RCONK111	RCONK112	RCONK113	
c Secured by multifamily (5 or more) residential properties	0	0	0	M 1 c
d Secured by nonfarm nonresidential properties				M 1 d
	RCONK114	RCONK115	RCONK116	
1 Loans secured by owner-occupied nonfarm nonresidential properties	0	0	0	M 1 d 1
	RCONK117	RCONK118	RCONK119	
2 Loans secured by other nonfarm nonresidential properties	0	0	0	M 1 d 2

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
e Commercial and industrial loans Memorandum items 1 e (1) and (2) are to be completed by banks with $300 million or more in total assets (Sum of Memorandum items 1 e (1) and (2) must equal Memorandum item 1 e)	RCONK257 0	RCONK258 0	RCONK259 0	M 1 e
1 To U S addressees (domicile)	RCONK120 0	RCONK121 0	RCONK122 0	M 1 e 1
2 To non-U S addressees (domicile)	RCONK123 0	RCONK124 0	RCONK125 0	M 1 e 2
f All other loans (include loans to individuals for household, family, and other personal expenditures)	RCONK126 0	RCONK127 0	RCONK128 0	M 1 f
1 Loans secured by farmland	RCONK130 0	RCONK131 0	RCONK132 0	M 1 f 1
2 Loans to depository institutions and acceptances of other banks	RCONK134 0	RCONK135 0	RCONK136 0	M 1 f 2
3 Not applicable				M 1 f 3
4 Loans to individuals for household, family, and other personal expenditures				M 1 f 4
a Credit cards	RCONK274 0	RCONK275 0	RCONK276 0	M 1 f 4.a.
b Automobile loans	RCONK277 0	RCONK278 0	RCONK279 0	M 1 f 4.b.
c Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONK280 0	RCONK281 0	RCONK282 0	M 1 f 4 c.
5 Loans to foreign governments and official institutions	RCONK283 0	RCONK284 0	RCONK285 0	M 1 f 5
6 Other loans	RCONK286 0	RCONK287 0	RCONK288 0	M 1 f 6
a Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, Memorandum item 1 f (6), above	RCONK138 0	RCONK139 0	RCONK140 0	M 1 f 6.a
2 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-N, items 4 and 7, above	RCON6558 19	RCON6559 0	RCON6560 0	M 2
3 Not available				M 3
a Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RC-N, item 1, above)	RCON1248 0	RCON1249 0	RCON1250 0	M 3 a
b Loans to and acceptances of foreign banks (included in Schedule RC-N, item 2, above)	RCON5380 0	RCON5381 0	RCON5382 0	M 3 b
c Commercial and industrial loans to non-U S addressees (domicile) (included in Schedule RC-N, item 4, above)	RCON1254 0	RCON1255 0	RCON1256 0	M 3 c
d Leases to individuals for household, family, and other personal expenditures (included in Schedule RC-N, item 8, above)	RCONF166 0	RCONF167 0	RCONF168 0	M 3 d
4 Loans to finance agricultural production and other loans to farmers (included in Schedule RC-N, item 7, above)	RCON1594 82	RCON1597 0	RCON1583 17	M 4
5 Loans and leases held for sale and loans measured at fair value (included in Schedule RC-N, items 1 through 8, above)				M 5

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
	RCONC240	RCONC241	RCONC226	
a Loans and leases held for sale	0	0	0	M 5 a
b Loans measured at fair value				M 5 b
	RCONF664	RCONF665	RCONF666	
1 Fair value	0	0	0	M 5 b 1
	RCONF667	RCONF668	RCONF669	
2 Unpaid principal balance	0	0	0	M 5 b 2

Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands	(Column A) Past due 30 through 89 days		(Column B) Past due 90 days or more		
6 Derivative contracts Fair value of amounts carried as assets	RCON3529	0	RCON3530	0	M 6

Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands			
7 Additions to nonaccrual assets during the quarter	RCONC410	924	M 7
8 Nonaccrual assets sold during the quarter	RCONC411	538	M 8

Schedule RC-O - Other Data for Deposit Insurance and FICO Assessments

Dollar amounts in thousands			
1 Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations	RCONF236	7,828,352	1
2 Total allowable exclusions	RCONF237	0	2
3 Not applicable			3
4 Total daily average of deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations	RCONF238	7,714,265	4
5 Total daily average of allowable exclusions	RCONF239	0	5
6 Not applicable			6
7 Unsecured "Other borrowings" with a remaining maturity of (sum of items 7 a through 7 d must be less than or equal to Schedule RC-M, items 5 b (1)(a)-(d) minus item 10 b)			7
a One year or less	RCONG465	0	7 a
b Over one year through three years	RCONG466	0	7 b
c Over three years through five years	RCONG467	0	7 c
d Over five years	RCONG468	0	7 d
8 Subordinated notes and debentures with a remaining maturity of (sum of items 8 a through 8 d must equal Schedule RC, item 19)			8
a One year or less	RCONG469	0	8 a
b Over one year through three years	RCONG470	0	8 b
c Over three years through five years	RCONG471	0	8 c
d Over five years	RCONG472	0	8 d
9 Reciprocal brokered deposits (included in Schedule RC-E, part I, Memorandum item 1 b)	RCONG803	0	9
1 Total assessable deposits of the bank, including related interest accrued and unpaid (sum of Memorandum items 1 a (1), 1 b (1), 1 c (1), and 1 d (1) must equal Schedule RC-O, item 1 less item 2)			M 1

Dollar amounts in thousands			
a Deposit accounts (excluding retirement accounts) of $250,000 or less			M 1 a
1 Amount of deposit accounts (excluding retirement accounts) of $250,000 or less	RCONF049	4,552,181	M 1 a 1
2 Number of deposit accounts (excluding retirement accounts) of $250,000 or less	RCONF050	357923	M 1 a 2
b Deposit accounts (excluding retirement accounts) of more than $250,000			M 1 b
1 Amount of deposit accounts (excluding retirement accounts) of more than $250,000	RCONF051	3,022,637	M 1 b 1
2 Number of deposit accounts (excluding retirement accounts) of more than $250,000	RCONF052	2817	M 1 b 2
c Retirement deposit accounts of $250,000 or less			M 1 c
1 Amount of retirement deposit accounts of $250,000 or less	RCONF045	241,890	M 1 c 1
2 Number of retirement deposit accounts of $250,000 or less	RCONF046	14088	M 1 c 2
d Retirement deposit accounts of more than $250,000			M 1 d
1 Amount of retirement deposit accounts of more than $250,000	RCONF047	11,644	M 1 d 1
2 Number of retirement deposit accounts of more than $250,000	RCONF048	24	M 1 d 2
2 Estimated amount of uninsured assessable deposits, including related interest accrued and unpaid (see instructions)	RCON5597	1,374,334	M 2
3 Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report or Thrift Financial Report? If so, report the legal title and FDIC Certificate Number of the parent bank or parent savings association			M 3
a Legal title	TEXTA545	NR	M 3 a
b FDIC Certificate Number	RCONA545	0	M 3 b
4 Not applicable			M 4
5 Noninterest-bearing transaction accounts (as defined in Section 343 of the Dodd-Frank Act) of more than $250,000 (see instructions)			M 5
a Amount of noninterest-bearing transaction accounts of more than $250,000	RCONJ944	581,125	M 5 a
b Number of noninterest-bearing transaction accounts of more than $250,000	RCONJ945	1017	M 5 b

Schedule RC-P - 1-4 Family Residential Mortgage Banking Activities

Dollar amounts in thousands			
1 Retail originations during the quarter of 1-4 family residential mortgage loans for sale			1
a Closed-end first liens	RCONF066	0	1 a
b Closed-end junior liens	RCONF067	0	1 b
c Open-end loans extended under lines of credit			1 c
1 Total commitment under the lines of credit	RCONF670	0	1 c 1
2 Principal amount funded under the lines of credit	RCONF671	0	1 c 2
2 Wholesale originations and purchases during the quarter of 1-4 family residential mortgage loans for sale			2
a Closed-end first liens	RCONF068	0	2 a
b Closed-end junior liens	RCONF069	0	2 b
c Open-end loans extended under lines of credit			2 c
1 Total commitment under the lines of credit	RCONF672	0	2 c 1
2 Principal amount funded under the lines of credit	RCONF673	0	2 c 2
3 1-4 family residential mortgages sold during the quarter			3
a Closed-end first liens	RCONF070	0	3 a
b Closed-end junior liens	RCONF071	0	3 b
c Open-end loans extended under lines of credit			3 c
1 Total commitment under the lines of credit	RCONF674	0	3 c 1
2 Principal amount funded under the lines of credit	RCONF675	0	3 c 2
4 1-4 family residential mortgages held for sale at quarter-end (included in Schedule RC, item 4 a)			4

Dollar amounts in thousands			
a Closed-end first liens	RCONF072	0	4 a
b Closed-end junior liens	RCONF073	0	4 b
c Open-end loans extended under lines of credit			4 c
1 Total commitment under the lines of credit	RCONF676	0	4 c 1
2 Principal amount funded under the lines of credit	RCONF677	0	4 c 2
5 Noninterest income for the quarter from the sale, securitization, and servicing of 1-4 family residential mortgage loans (included in Schedule RI, items 5 f, 5 g, and 5 i)			5
a Closed-end 1-4 family residential mortgage loans	RIADF184	0	5 a
b Open-end 1-4 family residential mortgage loans extended under lines of credit	RIADF560	0	5 b
6 Repurchases and indemnifications of 1-4 family residential mortgage loans during the quarter			6
a Closed-end first liens	RCONF678	0	6 a
b Closed-end junior liens	RCONF679	0	6 b
c Open-end loans extended under line of credit			6 c
1 Total commitment under the lines of credit	RCONF680	0	6 c 1
2 Principal amount funded under the lines of credit	RCONF681	0	6 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCON1773	RCONG474	RCONG475	RCONG476	RCONG477	
1 Available-for-sale securities	397,377	0	0	397,377	0	1
2 Federal funds sold and securities purchased under agreements to resell	RCONG478	RCONG479	RCONG480	RCONG481	RCONG482	
	0	0	0	0	0	2
	RCONG483	RCONG484	RCONG485	RCONG486	RCONG487	
3 Loans and leases held for sale	0	0	0	0	0	3
	RCONG488	RCONG489	RCONG490	RCONG491	RCONG492	
4 Loans and leases held for investment	0	0	0	0	0	4
5 Trading assets						5
	RCON3543	RCONG493	RCONG494	RCONG495	RCONG496	
a Derivative assets	0	0	0	0	0	5 a
	RCONG497	RCONG498	RCONG499	RCONG500	RCONG501	
b Other trading assets	0	0	0	0	0	5 b
1 Nontrading securities at fair value with changes in fair value reported in current earnings (included in Schedule RC-Q, item 5 b, above)	RCONF240	RCONF684	RCONF692	RCONF241	RCONF242	
	0	0	0	0	0	5 b 1
	RCONG391	RCONG392	RCONG395	RCONG396	RCONG804	
6 All other assets	0	0	0	0	0	6
7 Total assets measured at fair value on a recurring basis (sum of items 1 through 5 b plus item 6)	RCONG502	RCONG503	RCONG504	RCONG505	RCONG506	
	397,377	0	0	397,377	0	7
	RCONF252	RCONF686	RCONF694	RCONF253	RCONF254	
8 Deposits	0	0	0	0	0	8
9 Federal funds purchased and securities sold under agreements to repurchase	RCONG507	RCONG508	RCONG509	RCONG510	RCONG511	
	0	0	0	0	0	9
10 Trading liabilities						10
	RCON3547	RCONG512	RCONG513	RCONG514	RCONG515	
a Derivative liabilities	0	0	0	0	0	10 a
	RCONG516	RCONG517	RCONG518	RCONG519	RCONG520	
b Other trading liabilities	0	0	0	0	0	10 b

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS. Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
11 Other borrowed money	RCONG521 0	RCONG522 0	RCONG523 0	RCONG524 0	RCONG525 0	11
12 Subordinated notes and debentures	RCONG526 0	RCONG527 0	RCONG528 0	RCONG529 0	RCONG530 0	12
13 All other liabilities	RCONG805 0	RCONG806 0	RCONG807 0	RCONG808 0	RCONG809 0	13
14 Total liabilities measured at fair value on a recurring basis (sum of items 8 through 13)	RCONG531 0	RCONG532 0	RCONG533 0	RCONG534 0	RCONG535 0	14
1 All other assets (itemize and describe amounts included in Schedule RC-Q, item 6, that are greater than $25,000 and exceed 25% of item 6)						M 1
a Mortgage servicing assets	RCONG536 0	RCONG537 0	RCONG538 0	RCONG539 0	RCONG540 0	M 1 a
b Nontrading derivative assets	RCONG541 0	RCONG542 0	RCONG543 0	RCONG544 0	RCONG545 0	M 1 b

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
c Disclose component and the dollar amount of that component			M 1 c
1 Describe component	TEXTG546	NR	M 1 c 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG546	RCONG547	RCONG548	RCONG549	RCONG550	
2 Amount of component	0	0	0	0	0	M 1 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
d Disclose component and the dollar amount of that component			M 1 d
1 Describe component	TEXTG551	NR	M 1 d 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG551	RCONG552	RCONG553	RCONG554	RCONG555	
2 Amount of component	0	0	0	0	0	M 1 d 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
e Disclose component and the dollar amount of that component			M 1 e
1 Describe component	TEXTG556	NR	M 1 e 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG556	RCONG557	RCONG558	RCONG559	RCONG560	
2 Amount of component	0	0	0	0	0	M 1 e 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
f Disclose component and the dollar amount of that component			M 1 f
1 Describe component	TEXTG561	NR	M 1 f 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG561	RCONG562	RCONG563	RCONG564	RCONG565	
2 Amount of component	0	0	0	0	0	M 1 f 2
2 All other liabilities (itemize and describe amounts included in Schedule RC-Q, item 13, that are greater than $25,000 and exceed 25% of item 13)						M 2
	RCONF261	RCONF689	RCONF697	RCONF262	RCONF263	
a Loan commitments (not accounted for as derivatives)	0	0	0	0	0	M 2 a
	RCONG566	RCONG567	RCONG568	RCONG569	RCONG570	
b Nontrading derivative liabilities	0	0	0	0	0	M 2 b

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
c Disclose component and the dollar amount of that component			M 2 c
1 Describe component	TEXTG571	NR	M 2 c 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG571	RCONG572	RCONG573	RCONG574	RCONG575	
2 Amount of component	0	0	0	0	0	M 2 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
d Disclose component and the dollar amount of that component			M 2 d
1 Describe component	TEXTG576	NR	M 2 d 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG576	RCONG577	RCONG578	RCONG579	RCONG580	
2 Amount of component	0	0	0	0	0	M 2 d 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
e Disclose component and the dollar amount of that component			M 2 e
1 Describe component	TEXTG581	NR	M 2 e 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG581	RCONG582	RCONG583	RCONG584	RCONG585	
2 Amount of component	0	0	0	0	0	M 2 e 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
f Disclose component and the dollar amount of that component			M 2 f
1 Describe component	TEXTG586	NR	M 2 f 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG586	RCONG587	RCONG588	RCONG589	RCONG590	
2 Amount of component	0	0	0	0	0	M 2 f 2

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands			
1 Total bank equity capital (from Schedule RC, item 27 a)	RCON3210	1,544,584	1
2 Net unrealized gains (losses) on available-for-sale securities	RCON8434	13,707	2
3 Net unrealized loss on available-for-sale equity securities	RCONA221	0	3
4 Accumulated net gains (losses) on cash flow hedges	RCON4336	0	4
5 Nonqualifying perpetual preferred stock	RCONB588	0	5
6 Qualifying noncontrolling (minority) interests in consolidated subsidiaries	RCONB589	0	6
7 Not available			7
a Disallowed goodwill and other disallowed intangible assets	RCONB590	947,296	7 a
b Cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank's own creditworthiness	RCONF264	0	7 b
8 Subtotal	RCONC227	583,581	8
9 Not available			9
a Disallowed servicing assets and purchased credit card relationships	RCONB591	0	9 a
b Disallowed deferred tax assets	RCON5610	0	9 b
10 Other additions to (deductions from) Tier 1 capital	RCONB592	0	10
11 Tier 1 capital	RCON8274	583,581	11
12 Qualifying subordinated debt and redeemable preferred stock	RCON5306	0	12
13 Cumulative perpetual preferred stock includible in Tier 2 capital	RCONB593	0	13
14 Allowance for loan and lease losses includible in Tier 2 capital	RCON5310	51,760	14
15 Unrealized gains on available-for-sale equity securities includible in Tier 2 capital	RCON2221	0	15
16 Other Tier 2 capital components	RCONB594	0	16
17 Tier 2 capital	RCON5311	51,760	17
18 Allowable Tier 2 capital	RCON8275	51,760	18
19 Tier 3 capital allocated for market risk	RCON1395	0	19
20 Deductions for total risk-based capital	RCONB595	0	20
21 Total risk-based capital	RCON3792	635,341	21
22 Average total assets (from Schedule RC-K, item 9)	RCON3368	9,543,045	22
23 Disallowed goodwill and other disallowed intangible assets (from item 7 above)	RCONB590	947,296	23
24 Disallowed servicing assets and purchased credit card relationships (from item 9 a above)	RCONB591	0	24
25 Disallowed deferred tax assets (from item 9 b above)	RCON5610	0	25
26 Other deductions from assets for leverage capital purposes	RCONB596	0	26
27 Average total assets for leverage capital purposes	RCONA224	8,595,749	27
28 Not available			28
a Adjustment to Tier 1 capital reported in item 11	RCONC228	0	28 a
b Adjustment to total risk-based capital reported in item 21	RCONB503	0	28 b
29 Adjustment to risk-weighted assets reported in item 62	RCONB504	0	29
30 Adjustment to average total assets reported in item 27	RCONB505	0	30

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Percentage (Banks with Financial Subsidiaries)		(Column B) Percentage (All Banks)		
31 Tier 1 leverage ratio	RCON7273	0 0000	RCON7204	0 0679	31
32 Tier 1 risk-based capital ratio	RCON7274	0 0000	RCON7206	0 1362	32
33 Total risk-based capital ratio	RCON7275	0 0000	RCON7205	0.1483	33

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Totals (from Schedule RC)	(Column B) Items Not Subject to Risk-Weighting	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
	RCON0010	RCONC869	RCONB600	RCONB601		RCONB602	
34 Cash and balances dues from depository institutions	145,505	0	81,068	64,437		0	34
	RCON1754	RCONB603	RCONB604	RCONB605	RCONB606	RCONB607	
35 Held-to-maturity securities	4,401,265	0	107,602	4,280,541	11,622	1,500	35
	RCON1773	RCONB608	RCONB609	RCONB610	RCONB611	RCONB612	
36 Available-for-sale securities	397,377	21,088	46,492	319,711	1,313	8,773	36
	RCONC225		RCONC063	RCONC064		RCONB520	
37 Federal funds sold and securities purchased under agreements to resell	517		0	517		0	37
	RCON5369	RCONB617	RCONB618	RCONB619	RCONB620	RCONB621	
38 Loans and leases held for sale	0	0	0	0	0	0	38
	RCONB528	RCONB622	RCONB623	RCONB624	RCONB625	RCONB626	
39 Loans and leases, net of unearned income	3,572,920	0	0	90,639	1,089,518	2,392,763	39
	RCON3123	RCON3123					
40 Allowance for loan and lease losses	51,760	51,760					40
	RCON3545	RCONB627	RCONB628	RCONB629	RCONB630	RCONB631	
41 Trading Assets	0	0	0	0	0	0	41
	RCONB639	RCONB640	RCONB641	RCONB642	RCONB643	RCON5339	
42 All other assets	1,251,421	947,296	0	20,342	0	283,783	42
	RCON2170	RCONB644	RCON5320	RCON5327	RCON5334	RCON5340	
43 Total Assets	9,717,245	916,624	235,162	4,776,187	1,102,453	2,686,819	43

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
	RCONB546	RCONB547	RCONB548	RCONB581	RCONB582	RCONB583	
44 Financial standby letters of credit	15,312	15,312	0	8,327	0	6,985	44
	RCON3821	RCONB650	RCONB651	RCONB652	RCONB653	RCONB654	
45 Performance standby letters of credit	0	0	0	0	0	0	45
	RCON3411	RCONB655	RCONB656	RCONB657	RCONB658	RCONB659	
46 Commercial and similar letters of credit	0	0	0	0	0	0	46

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
47 Risk participations in bankers acceptances acquired by the reporting institution	RCON3429	RCONB660	RCONB661	RCONB662		RCONB663	
	0	0	0	0		0	47
48 Securities lent	RCON3433	RCONB664	RCONB665	RCONB666	RCONB667	RCONB668	
	0	0	0	0	0	0	48
49 Retained recourse on small business obligations sold with recourse	RCONA250	RCONB669	RCONB670	RCONB671	RCONB672	RCONB673	
	0	0	0	0	0	0	49
50 Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low-level exposure rule and residual interests subject to a dollar-for-dollar capital requirement	RCONB541	RCONB542				RCONB543	
	0	0				0	50
51 All other financial assets sold with recourse	RCONB675	RCONB676	RCONB677	RCONB678	RCONB679	RCONB680	
	0	0	0	0	0	0	51
52 All other off-balance sheet liabilities	RCONB681	RCONB682	RCONB683	RCONB684	RCONB685	RCONB686	
	0	0	0	0	0	0	52
53 Unused commitments							53
a With an original maturity exceeding one year	RCON3833	RCONB687	RCONB688	RCONB689	RCONB690	RCONB691	
	163,640	81,820	0	0	0	81,820	53 a
b With an original maturity of one year or less to asset-backed commercial paper conduits	RCONG591	RCONG592	RCONG593	RCONG594	RCONG595	RCONG596	
	0	0	0	0	0	0	53 b
54 Derivative contracts		RCONA167	RCONB693	RCONB694	RCONB695		
		0	0	0	0		54
55 Total assets, derivatives, and off-balance sheet items by risk weight category			RCONB696	RCONB697	RCONB698	RCONB699	
			235,162	4,784,514	1,102,453	2,775,624	55
56 Risk weight factor							56
57 Risk-weighted assets by risk weight category			RCONB700	RCONB701	RCONB702	RCONB703	
			0	956,903	551,227	2,775,624	57
58 Market risk equivalent assets						RCON1651	
						0	58
59 Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve						RCONB704	
						4,283,754	59
60 Excess allowance for loan and lease losses						RCONA222	
						0	60
61 Allocated transfer risk reserve						RCON3128	
						0	61

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
						RCONA223	
62 Total risk-weighted assets						4,283,754	62

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands			
1 Current credit exposure across all derivative contracts covered by the risk-based capital standards	RCON8764	0	M 1

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) With a remaining maturity of one year or less	(Column B) With a remaining maturity of over one year through five years	(Column C) With a remaining maturity of over five years	
2 Notional principal amounts of derivative contracts				M 2
	RCON3809	RCON8766	RCON8767	
a Interest rate contracts	0	0	0	M 2 a
	RCON3812	RCON8769	RCON8770	
b Foreign exchange contracts	0	0	0	M 2 b
	RCON8771	RCON8772	RCON8773	
c Gold contracts	0	0	0	M 2 c
	RCON8774	RCON8775	RCON8776	
d Other precious metals contracts	0	0	0	M 2 d
	RCON8777	RCON8778	RCON8779	
e Other commodity contracts	0	0	0	M 2 e
	RCONA000	RCONA001	RCONA002	
f Equity derivative contracts	0	0	0	M 2 f
g Credit derivative contracts Purchased credit protection that (a) is a covered position under the market risk rule or (b) is not a covered position under the market risk rule and is not recognized as a guarantee for risk-based capital purposes				M 2 g
	RCONG597	RCONG598	RCONG599	
1 Investment grade	0	0	0	M 2 g 1
	RCONG600	RCONG601	RCONG602	
2 Subinvestment grade	0	0	0	M 2 g 2

Schedule RC-S - Servicing Securitization and Asset Sale Activities

Dollar amounts in thousands	(Column A) 1-4 Family Residential Loans	(Column B) Home Equity Lines	(Column C) Credit Card Receivables	(Column D) Auto Loans	(Column E) Other Consumer Loans	(Column F) Commercial and Industrial Loans	(Column G) All Other Loans, All Leases, and All Other Assets	
1 Outstanding principal balance of assets sold and securitized by the reporting bank with servicing retained or with recourse or other seller-provided credit enhancements	RCONB705 0	RCONB706 0	RCONB707 0	RCONB708 0	RCONB709 0	RCONB710 0	RCONB711 0	1
2 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to structures reported in item 1 in the form of								2
a Credit-enhancing interest-only strips (included in Schedules RC-B or RC-F or in Schedule RC, item 5)	RCONB712 0	RCONB713 0	RCONB714 0	RCONB715 0	RCONB716 0	RCONB717 0	RCONB718 0	2 a
b Subordinated securities and other residual interests	RCONC393 0	RCONC394 0	RCONC395 0	RCONC396 0	RCONC397 0	RCONC398 0	RCONC399 0	2 b
c Standby letters of credit and other enhancements	RCONC400 0	RCONC401 0	RCONC402 0	RCONC403 0	RCONC404 0	RCONC405 0	RCONC406 0	2 c
3 Reporting bank's unused commitments to provide liquidity to structures reported in item 1	RCONB726 0	RCONB727 0	RCONB728 0	RCONB729 0	RCONB730 0	RCONB731 0	RCONB732 0	3
4 Past due loan amounts included in item 1								4
a 30-89 days past due	RCONB733 0	RCONB734 0	RCONB735 0	RCONB736 0	RCONB737 0	RCONB738 0	RCONB739 0	4 a
b 90 days or more past due	RCONB740 0	RCONB741 0	RCONB742 0	RCONB743 0	RCONB744 0	RCONB745 0	RCONB746 0	4 b
5 Charge-offs and recoveries on assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements (calendar year-to-date)								5
a Charge-offs	RIADB747 0	RIADB748 0	RIADB749 0	RIADB750 0	RIADB751 0	RIADB752 0	RIADB753 0	5 a
b Recoveries	RIADB754 0	RIADB755 0	RIADB756 0	RIADB757 0	RIADB758 0	RIADB759 0	RIADB760 0	5 b
6 Amount of ownership (or seller's) interests carried as								6
a Securities (included in Schedule RC-B or in Schedule RC, item 5)		RCONB761 0	RCONB762 0			RCONB763 0		6 a

Dollar amounts in thousands	(Column A) 1-4 Family Residential Loans	(Column B) Home Equity Lines	(Column C) Credit Card Receivables	(Column D) Auto Loans	(Column E) Other Consumer Loans	(Column F) Commercial and Industrial Loans	(Column G) All Other Loans, All Leases, and All Other Assets	
b Loans (included in Schedule RC-C)		RCONB500 0	RCONB501 0			RCONB502 0		6 b
7 Past due loan amounts included in interests reported in item 6 a								7
a 30-89 days past due		RCONB764 0	RCONB765 0			RCONB766 0		7 a
b 90 days or more past due		RCONB767 0	RCONB768 0			RCONB769 0		7 b
8 Charge-offs and recoveries on loan amounts included in interests reported in item 6 a (calendar year-to-date)								8
a Charge-offs		RIADB770 0	RIADB771 0			RIADB772 0		8 a
b Recoveries		RIADB773 0	RIADB774 0			RIADB775 0		8 b
9 Maximum amount of credit exposure arising from credit enhancements provided by the reporting bank to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements	RCONB776 0	RCONB777 0	RCONB778 0	RCONB779 0	RCONB780 0	RCONB781 0	RCONB782 0	9
10 Reporting bank's unused commitments to provide liquidity to other institutions' securitization structures	RCONB783 0	RCONB784 0	RCONB785 0	RCONB786 0	RCONB787 0	RCONB788 0	RCONB789 0	10
11 Assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting bank	RCONB790 0	RCONB791 0	RCONB792 0	RCONB793 0	RCONB794 0	RCONB795 0	RCONB796 0	11
12 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11	RCONB797 0	RCONB798 0	RCONB799 0	RCONB800 0	RCONB801 0	RCONB802 0	RCONB803 0	12

Schedule RC-S - Servicing Securitization and Asset Sale Activities

Dollar amounts in thousands			
1 Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994			M 1
a Outstanding principal balance	RCONA249	0	M 1 a
b Amount of retained recourse on these obligations as of the report date	RCONA250	0	M 1 b
2 Outstanding principal balance of assets serviced for others (includes participations serviced for others)			M 2
a Closed-end 1-4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements	RCONB804	0	M 2 a
b Closed-end 1-4 family residential mortgages serviced with no recourse or other servicer-provided credit enhancements	RCONB805	0	M 2 b
c Other financial assets (includes home equity lines)	RCONA591	0	M 2 c
d 1-4 family residential mortgages serviced for others that are in process of foreclosure at quarter-end (includes closed-end and open-end loans)	RCONF699	0	M 2 d
3 Asset-backed commercial paper conduits			M 3
a Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby letters of credit, subordinated securities, and other enhancements			M 3 a
1 Conduits sponsored by the bank, a bank affiliate, or the bank's holding company	RCONB806	0	M 3 a 1
2 Conduits sponsored by other unrelated institutions	RCONB807	0	M 3 a 2
b Unused commitments to provide liquidity to conduit structures			M 3 b
1 Conduits sponsored by the bank, a bank affiliate, or the bank's holding company	RCONB808	0	M 3 b 1
2 Conduits sponsored by other unrelated institutions	RCONB809	0	M 3 b 2
4 Outstanding credit card fees and finance charges included in Schedule RC-S, item 1, column C	RCONC407	NR	M 4

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands			
1 Does the institution have fiduciary powers? (If "NO," do not complete Schedule RC-T)	RCONA345	Yes	1
2 Does the institution exercise the fiduciary powers it has been granted?	RCONA346	No	2
3 Does the institution have any fiduciary or related activity (in the form of assets or accounts) to report in this schedule? (If "NO," do not complete the rest of Schedule RC-T)	RCONB867	No	3

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Managed Assets	(Column B) Non-Managed Assets	(Column C) Number of Managed Accounts	(Column D) Number of Non-Managed Accounts	
4 Personal trust and agency accounts	RCONB868 NR	RCONB869 NR	RCONB870 NR	RCONB871 NR	4
5 Employee benefit and retirement-related trust and agency accounts					5
a Employee benefit - defined contribution	RCONB872 NR	RCONB873 NR	RCONB874 NR	RCONB875 NR	5 a
b Employee benefit - defined benefit	RCONB876 NR	RCONB877 NR	RCONB878 NR	RCONB879 NR	5 b
c Other employee benefit and retirement-related accounts	RCONB880 NR	RCONB881 NR	RCONB882 NR	RCONB883 NR	5 c
6 Corporate trust and agency accounts	RCONB884 NR	RCONB885 NR	RCONC001 NR	RCONC002 NR	6
7 Investment management and investment advisory agency accounts	RCONB886 NR	RCONJ253 NR	RCONB888 NR	RCONJ254 NR	7
8 Foundation and endowment trust and agency accounts	RCONJ255 NR	RCONJ256 NR	RCONJ257 NR	RCONJ258 NR	8
9 Other fiduciary accounts	RCONB890 NR	RCONB891 NR	RCONB892 NR	RCONB893 NR	9
10 Total fiduciary accounts (sum of items 4 through 9)	RCONB894 NR	RCONB895 NR	RCONB896 NR	RCONB897 NR	10
11 Custody and safekeeping accounts		RCONB898 NR		RCONB899 NR	11
12 Not applicable					12
13 Individual Retirement Accounts, Health Savings Accounts, and other similar accounts (included in items 5 c and 11)	RCONJ259 NR	RCONJ260 NR	RCONJ261 NR	RCONJ262 NR	13

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands			
14 Personal trust and agency accounts	RIADB904	NR	14
15 Employee benefit and retirement-related trust and agency accounts			15
a Employee benefit - defined contribution	RIADB905	NR	15 a
b Employee benefit - defined benefit	RIADB906	NR	15 b
c Other employee benefit and retirement-related accounts	RIADB907	NR	15 c
16 Corporate trust and agency accounts	RIADA479	NR	16
17 Investment management and investment advisory agency accounts	RIADJ315	NR	17
18 Foundation and endowment trust and agency accounts	RIADJ316	NR	18
19 Other fiduciary accounts	RIADA480	NR	19
20 Custody and safekeeping accounts	RIADB909	NR	20
21 Other fiduciary and related services income	RIADB910	NR	21
22 Total gross fiduciary and related services income (sum of items 14 through 21) (must equal Schedule RI, item 5 a)	RIAD4070	0	22
23 Less Expenses	RIADC058	NR	23
24 Less Net losses from fiduciary and related services	RIADA488	NR	24
25 Plus Intracompany income credits for fiduciary and related services	RIADB911	NR	25
26 Net fiduciary and related services income	RIADA491	NR	26

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Personal Trust and Agency and Investment Management Agency Accounts	(Column B) Employee Benefit and Retirement-Related Trust and Agency Accounts	(Column C) All Other Accounts	
1 Managed assets held in fiduciary accounts				M 1
	RCONJ263	RCONJ264	RCONJ265	
a Noninterest-bearing deposits	NR	NR	NR	M 1 a
	RCONJ266	RCONJ267	RCONJ268	
b Interest-bearing deposits	NR	NR	NR	M 1 b
	RCONJ269	RCONJ270	RCONJ271	
c U S Treasury and U S Government agency obligations	NR	NR	NR	M 1 c
	RCONJ272	RCONJ273	RCONJ274	
d State, county, and municipal obligations	NR	NR	NR	M 1 d
	RCONJ275	RCONJ276	RCONJ277	
e Money market mutual funds	NR	NR	NR	M 1 e
	RCONJ278	RCONJ279	RCONJ280	
f Equity mutual funds	NR	NR	NR	M 1 f
	RCONJ281	RCONJ282	RCONJ283	
g Other mutual funds	NR	NR	NR	M 1 g
	RCONJ284	RCONJ285	RCONJ286	
h Common trust funds and collective investment funds	NR	NR	NR	M 1 h
	RCONJ287	RCONJ288	RCONJ289	
i Other short-term obligations	NR	NR	NR	M 1 i
	RCONJ290	RCONJ291	RCONJ292	
j Other notes and bonds	NR	NR	NR	M 1 j

Dollar amounts in thousands	(Column A) Personal Trust and Agency and Investment Management Agency Accounts	(Column B) Employee Benefit and Retirement-Related Trust and Agency Accounts	(Column C) All Other Accounts	
k Investments in unregistered funds and private equity investments	RCONJ293 NR	RCONJ294 NR	RCONJ295 NR	M 1 k
l Other common and preferred stocks	RCONJ296 NR	RCONJ297 NR	RCONJ298 NR	M 1 l
m Real estate mortgages	RCONJ299 NR	RCONJ300 NR	RCONJ301 NR	M 1 m
n Real estate	RCONJ302 NR	RCONJ303 NR	RCONJ304 NR	M 1 n
o Miscellaneous assets	RCONJ305 NR	RCONJ306 NR	RCONJ307 NR	M 1 o
p Total managed assets held in fiduciary accounts (for each column, sum of Memorandum items 1 a through 1 o)	RCONJ308 NR	RCONJ309 NR	RCONJ310 NR	M 1 p

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Managed Assets		(Column B) Number of Managed Accounts		
q Investments of managed fiduciary accounts in advised or sponsored mutual funds	RCONJ311	NR	RCONJ312	NR	M 1 q

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Number of Issues		(Column B) Principal Amount Outstanding		
2 Corporate trust and agency accounts					M 2
a Corporate and municipal trusteeships	RCONB927	NR	RCONB928	NR	M 2 a
1 Issues reported in Memorandum item 2 a that are in default	RCONJ313	NR	RCONJ314	NR	M2a1
b Transfer agent, registrar, paying agent, and other corporate agency	RCONB929	NR			M 2 b

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Number of Funds		(Column B) Market Value of Fund Assets		
3 Collective investment funds and common trust funds					M 3
a Domestic equity	RCONB931	NR	RCONB932	NR	M 3 a
b International/Global equity	RCONB933	NR	RCONB934	NR	M 3 b
c Stock/Bond blend	RCONB935	NR	RCONB936	NR	M 3 c
d Taxable bond	RCONB937	NR	RCONB938	NR	M 3 d
e Municipal bond	RCONB939	NR	RCONB940	NR	M 3 e
f Short term investments/Money market	RCONB941	NR	RCONB942	NR	M 3 f
g Specialty/Other	RCONB943	NR	RCONB944	NR	M 3 g
h Total collective investment funds (sum of Memorandum items 3 a through 3 g)	RCONB945	NR	RCONB946	NR	M 3 h

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Gross Losses Managed Accounts	(Column B) Gross Losses Non-Managed Accounts	(Column C) Recoveries	
4 Fiduciary settlements, surcharges, and other losses				M 4
	RIADB947	RIADB948	RIADB949	
a Personal trust and agency accounts	NR	NR	NR	M 4 a
	RIADB950	RIADB951	RIADB952	
b Employee benefit and retirement-related trust and agency accounts	NR	NR	NR	M 4 b
	RIADB953	RIADB954	RIADB955	
c Investment management agency accounts	NR	NR	NR	M 4 c
	RIADB956	RIADB957	RIADB958	
d Other fiduciary accounts and related services	NR	NR	NR	M 4 d
	RIADB959	RIADB960	RIADB961	
e Total fiduciary settlements, surcharges, and other losses (sum of Memorandum items 4 a through 4 d) (sum of columns A and B minus column C must equal Schedule RC-T, item 24)	NR	NR	NR	M 4 e

Schedule RC-V - Variable Interest Entities

Dollar amounts in thousands	(Column A) Securitization Vehicles	(Column B) ABCP Conduits	(Column C) Other VIEs	
1 Assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of the consolidated VIEs				1
	RCONJ981	RCONJ982	RCONJ983	
a Cash and balances due from depository institutions	0	0	0	1 a
	RCONJ984	RCONJ985	RCONJ986	
b Held-to-maturity securities	0	0	0	1 b
	RCONJ987	RCONJ988	RCONJ989	
c Available-for-sale securities	0	0	0	1 c
	RCONJ990	RCONJ991	RCONJ992	
d Securities purchased under agreements to resell	0	0	0	1 d
	RCONJ993	RCONJ994	RCONJ995	
e Loans and leases held for sale	0	0	0	1 e
	RCONJ996	RCONJ997	RCONJ998	
f Loans and leases, net of unearned income	0	0	0	1 f
	RCONJ999	RCONK001	RCONK002	
g Less Allowance for loan and lease losses	0	0	0	1 g
	RCONK003	RCONK004	RCONK005	
h Trading assets (other than derivatives)	0	0	0	1 h
	RCONK006	RCONK007	RCONK008	
i Derivative trading assets	0	0	0	1 i
	RCONK009	RCONK010	RCONK011	
j Other real estate owned	0	0	0	1 j
	RCONK012	RCONK013	RCONK014	
k Other assets	0	0	0	1 k
2 Liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the reporting bank				2
	RCONK015	RCONK016	RCONK017	
a Securities sold under agreements to repurchase	0	0	0	2 a

Dollar amounts in thousands	(Column A) Securitization Vehicles	(Column B) ABCP Conduits	(Column C) Other VIEs	
	RCONK018	RCONK019	RCONK020	
b Derivative trading liabilities	0	0	0	2 b
	RCONK021	RCONK022	RCONK023	
c Commercial paper	0	0	0	2 c
	RCONK024	RCONK025	RCONK026	
d Other borrowed money (exclude commercial paper)	0	0	0	2 d
	RCONK027	RCONK028	RCONK029	
e Other liabilities	0	0	0	2 e
3 All other assets of consolidated VIEs (not included in items 1 a through 1 k above)	RCONK030	RCONK031	RCONK032	
	0	0	0	3
4 All other liabilities of consolidated VIEs (not included in items 2 a through 2 e above)	RCONK033	RCONK034	RCONK035	
	0	0	0	4

General Instructions

Dollar amounts in thousands		
1 Who Must Report on What Forms		1
a Close of Business		1 a
b Frequency of Reporting		1 b
c Differences in Detail of Reports		1 c
d Shifts in Reporting Status		1 d
2 Organization of the Instruction Books		2
3 Preparation of the Reports		3
4 Signatures		4
a Officer Declaration		4 a
b Director Attestation		4 b
5 Submission of the Reports		5
a Submission Date		5 a
b Amended Reports		5 b
6 Retention of Reports		6
7 Scope of the "Consolidated Bank" Required to be Reported in the Submitted Reports		7
a Exclusions from the Coverage of the Consolidated Report		7 a
8 Rules of Consolidation		8
9 Reporting by Type of Office (For banks with foreign offices)		9
10 Publication Requirements for the Report of Condition		10
11 Release of Individual Bank Reports		11
12 Applicability of Generally Accepted Accounting Principles to Regulatory Reporting Requirements		12
13 Accrual Basis Reporting		13
14 Miscellaneous General Instructions		14
a Rounding		14 a
b Negative Entries		14 b
c Verification		14 c
d Transactions Occurring Near the End of a Reporting Period		14 d
15 Separate Branch Reports		15

Glossary

Dollar amounts in thousands		
1 Glossary		1
2 Acceptances		2
3 Accounting Changes		3
4 Accounting Errors, Corrections of		4
5 Accounting Estimates, Changes in		5
6 Accounting Principles, Changes in		6
7 Accrued Interest Receivable Related to Credit Card Securitizations		7
8 Acquisition, Development, or Construction (ADC) Arrangements		8
9 Agreement Corporation		9
10 Allowance for Loan and Lease Losses		10
11 Applicable Income Taxes		11
12 Associated Company		12
13 ATS Account		13
14 Bankers Acceptances		14
a Bank-Owned Life Insurance		14 a
15 Banks, U S and Foreign		15
16 Banks in Foreign Countries		16
17 Bill-of-Lading Draft		17
18 Borrowings and Deposits in Foreign Offices		18
19 Brokered Deposits		19
20 Broker's Security Draft		20
21 Business Combinations		21
22 Call Option		22
23 Capitalization of Interest Costs		23
24 Carrybacks and Carryforwards		24
25 Cash Management Arrangements		25
26 Certificate of Deposit		26
27 Changes in Accounting Estimates		27
28 Changes in Accounting Principles		28
29 Clearing Accounts		29
30 Commercial Banks in the U S		30
31 Commercial Letter of Credit		31
32 Commercial Paper		32
33 Commodity or Bill-of-Lading Draft		33
34 Common Stock of Unconsolidated Subsidiaries, Investments in		34
35 Continuing Contract		35
36 Corporate Joint Venture		36
37 Corrections of Accounting Errors		37
38 Coupon Stripping, Treasury Receipts, and STRIPS		38
39 Custody Account		39
40 Dealer Reserve Account		40
a Deferred Compensation Agreements		40 a
41 Deferred Income Taxes		41
42 Demand Deposits		42
43 Depository Institutions in the U S		43
44 Deposits		44
45 Derivative Contracts		45
a Discounts		45 a
46 Dividends		46

Dollar amounts in thousands		
47 Domestic Office		47
48 Domicile		48
49 Due Bills		49
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Prosperity Bank
Reference 2 5 – B
Call Report 12-31-2010

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

Federal Financial Institutions Examination Council

Consolidated Reports of Condition and Income for A Bank With Domestic Offices Only - FFIEC 041

Institution Name	**PROSPERITY BANK**
City	**EL CAMPO**
State	**TX**
Zip Code	**77437**
Call Report Quarter End Date	**12/31/2010**
Report Type	**041**
RSSD-ID	**664756**
FDIC Certificate Number	**16835**
OCC Charter Number	**0**
ABA Routing Number	**113122655**
Last updated on	**2/3/2011**

Bank Demographic Information

Dollar amounts in thousands			
1 Reporting date	RCON9999	20101231	1
2 FDIC certificate number	RSSD9050	16835	2
3 Legal title of bank	RSSD9017	Prosperity Bank	3
4 City	RSSD9130	El Campo	4
5 State abbreviation	RSSD9200	TX	5
6 Zip code	RSSD9220	77437	6

Contact Information

Dollar amounts in thousands			
1 Contact Information for the Reports of Condition and Income			1
a Chief Financial Officer (or Equivalent) Signing the Reports			1 a
1 Name	TEXTC490	CONF	1 a 1
2 Title	TEXTC491	CONF	1 a 2
3 E-mail Address	TEXTC492	CONF	1 a 3
4 Telephone	TEXTC493	CONF	1 a 4
5 FAX	TEXTC494	CONF	1 a 5
b Other Person to Whom Questions about the Reports Should be Directed			1 b
1 Name	TEXTC495	CONF	1 b 1
2 Title	TEXTC496	CONF	1 b 2
3 E-mail Address	TEXT4086	CONF	1 b 3
4 Telephone	TEXT8902	CONF	1 b 4
5 FAX	TEXT9116	CONF	1 b 5
2 Person to whom questions about Schedule RC-T - Fiduciary and Related Services should be directed			2
a Name and Title	TEXTB962	CONF	2 a
b E-mail Address	TEXTB926	CONF	2 b
c Telephone	TEXTB963	CONF	2 c
d FAX	TEXTB964	CONF	2 d
3 Emergency Contact Information			3
a Primary Contact			3 a
1 Name	TEXTC366	CONF	3 a 1
2 Title	TEXTC367	CONF	3 a 2
3 E-mail Address	TEXTC368	CONF	3 a 3
4 Telephone	TEXTC369	CONF	3 a 4
5 FAX	TEXTC370	CONF	3 a 5
b Secondary Contact			3 b
1 Name	TEXTC371	CONF	3 b 1
2 Title	TEXTC372	CONF	3 b 2
3 E-mail Address	TEXTC373	CONF	3 b 3
4 Telephone	TEXTC374	CONF	3 b 4
5 FAX	TEXTC375	CONF	3 b 5
4 USA PATRIOT Act Section 314(a) Anti-Money Laundering Contact Information			4
a Primary Contact			4 a
1 Name	TEXTC437	CONF	4 a 1
2 Title	TEXTC438	CONF	4 a 2
3 E-mail Address	TEXTC439	CONF	4 a 3
4 Telephone	TEXTC440	CONF	4 a 4
b Secondary Contact			4 b

Dollar amounts in thousands			
1 Name	TEXTC442	CONF	4 b 1
2 Title	TEXTC443	CONF	4 b 2
3 E-mail Address	TEXTC444	CONF	4 b 3
4 Telephone	TEXTC445	CONF	4 b 4
c Third Contact			4 c
1 Name	TEXTC870	CONF	4 c 1
2 Title	TEXTC871	CONF	4 c 2
3 E-mail Address	TEXTC872	CONF	4 c 3
4 Telephone	TEXTC873	CONF	4 c 4
d Fourth Contact			4 d
1 Name	TEXTC875	CONF	4 d 1
2 Title	TEXTC876	CONF	4 d 2
3 E-mail Address	TEXTC877	CONF	4 d 3
4 Telephone	TEXTC878	CONF	4 d 4

Optional Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income

Dollar amounts in thousands			
1 Comments?	RCON6979	No	1
2 Bank Management Statement	TEXT6980	NR	2

Schedule RI - Income Statement

Dollar amounts in thousands			
1 Interest income			1
a Interest and fee income on loans			1 a
1 Loans secured by real estate			1 a 1
a Loans secured by 1-4 family residential properties	RIAD4435	52,918	1 a 1 a
b All other loans secured by real estate	RIAD4436	122,903	1 a 1 b
2 Commercial and industrial loans	RIAD4012	21,962	1 a 2
3 Loans to individuals for household, family, and other personal expenditures			1 a 3
a Credit cards	RIADB485	0	1 a 3 a
b Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RIADB486	6,830	1 a 3 b
4 Loans to foreign governments and official institutions	RIAD4056	0	1 a 4
5 All other loans	RIAD4058	5,078	1 a 5
6 Total interest and fee income on loans	RIAD4010	209,691	1 a 6
b Income from lease financing receivables	RIAD4065	19	1 b
c Interest income on balances due from depository institutions	RIAD4115	115	1 c
d Interest and dividend income on securities			1 d
1 U S Treasury securities and U S Government agency obligations (excluding mortgage-backed securities)	RIADB488	1,283	1 d 1
2 Mortgage-backed securities	RIADB489	169,103	1 d 2
3 All other securities (includes securities issued by states and political subdivisions in the U S)	RIAD4060	4,320	1 d 3
e Interest income from trading assets	RIAD4069	0	1 e
f Interest income on federal funds sold and securities purchased under agreements to resell	RIAD4020	4	1 f
g Other interest income	RIAD4518	149	1 g
h Total interest income	RIAD4107	384,684	1 h

Dollar amounts in thousands			
2 Interest expense			2
a Interest on deposits			2 a
1 Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	RIAD4508	1,411	2 a 1
2 Nontransaction accounts			2 a 2
a Savings deposits (includes MMDAs)	RIAD0093	22,741	2 a 2 a
b Time deposits of $100,000 or more	RIADA517	19,536	2 a 2 b
c Time deposits of less than $100,000	RIADA518	19,321	2 a 2 c
b Expense of federal funds purchased and securities sold under agreements to repurchase	RIAD4180	597	2 b
c Interest on trading liabilities and other borrowed money	RIAD4185	1,033	2 c
d Interest on subordinated notes and debentures	RIAD4200	0	2 d
e Total interest expense	RIAD4073	64,639	2 e
3 Net interest income	RIAD4074	320,045	3
4 Provision for loan and lease losses	RIAD4230	13,585	4
5 Noninterest income			5
a Income from fiduciary activities	RIAD4070	0	5 a
b Service charges on deposit accounts	RIAD4080	35,933	5 b
c Trading revenue	RIADA220	0	5 c
d Not available			5 d
1 Fees and commissions from securities brokerage	RIADC886	749	5 d 1
2 Investment banking, advisory, and underwriting fees and commissions	RIADC888	0	5 d 2
3 Fees and commissions from annuity sales	RIADC887	0	5 d 3
4 Underwriting income from insurance and reinsurance activities	RIADC386	0	5 d 4
5 Income from other insurance activities	RIADC387	0	5 d 5
e Venture capital revenue	RIADB491	0	5 e
f Net servicing fees	RIADB492	0	5 f
g Net securitization income	RIADB493	0	5 g
h Not applicable			5 h
i Net gains (losses) on sales of loans and leases	RIAD5416	0	5 i
j Net gains (losses) on sales of other real estate owned	RIAD5415	-4,262	5 j
k Net gains (losses) on sales of other assets (excluding securities)	RIADB496	402	5 k
l Other noninterest income	RIADB497	21,338	5 l
m Total noninterest income	RIAD4079	54,160	5 m
6 Not available			6
a Realized gains (losses) on held-to-maturity securities	RIAD3521	0	6 a
b Realized gains (losses) on available-for-sale securities	RIAD3196	0	6 b
7 Noninterest expense			7
a Salaries and employee benefits	RIAD4135	83,943	7 a
b Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	RIAD4217	26,292	7 b
c Not available			7 c
1 Goodwill impairment losses	RIADC216	0	7 c 1
2 Amortization expense and impairment losses for other intangible assets	RIADC232	9,016	7 c 2
d Other noninterest expense	RIAD4092	43,065	7 d
e Total noninterest expense	RIAD4093	162,316	7 e
8 Income (loss) before income taxes and extraordinary items and other adjustments	RIAD4301	198,304	8
9 Applicable income taxes (on item 8)	RIAD4302	66,287	9
10 Income (loss) before extraordinary items and other adjustments	RIAD4300	132,017	10
11 Extraordinary items and other adjustments, net of income taxes	RIAD4320	0	11

Dollar amounts in thousands			
12 Net income (loss) attributable to bank and noncontrolling (minority) interests (sum of items 10 and 11)	RIADG104	132,017	12
13 LESS Net income (loss) attributable to noncontrolling (minority) interests (if net income, report as a positive value, if net loss, report as a negative value)	RIADG103	0	13
14 Net income (loss) attributable to bank (item 12 minus item 13)	RIAD4340	132,017	14
1 Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes	RIAD4513	806	M 1
2 Income from the sale and servicing of mutual funds and annuities (included in Schedule RI, item 8)	RIAD8431	544	M 2
3 Income on tax-exempt loans and leases to states and political subdivisions in the U S (included in Schedule RI, items 1 a and 1 b)	RIAD4313	1,990	M 3
4 Income on tax-exempt securities issued by states and political subdivisions in the U S (included in Schedule RI, item 1 d (3))	RIAD4507	3,394	M 4
5 Number of full-time equivalent employees at end of current period	RIAD4150	1708	M 5
6 Interest and fee income on loans to finance agricultural production and other loans to farmers (included in Schedule RI, item 1 a (5))	RIAD4024	2,863	M 6
7 If the reporting bank has restated its balance sheet as a result of applying push down accounting this calendar year, report the date of the bank's acquisition	RIAD9106	0	M 7
8 Trading revenue (from cash instruments and derivative instruments)			M 8
a Interest rate exposures	RIAD8757	NR	M 8 a
b Foreign exchange exposures	RIAD8758	NR	M 8 b
c Equity security and index exposures	RIAD8759	NR	M 8 c
d Commodity and other exposures	RIAD8760	NR	M 8 d
e Credit exposures	RIADF186	NR	M 8 e
9 Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account			M 9
a Net gains (losses) on credit derivatives held for trading	RIADC889	0	M 9 a
b Net gains (losses) on credit derivatives held for purposes other than trading	RIADC890	0	M 9 b
10 Credit losses on derivatives	RIADA251	0	M 10
11 Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?	RIADA530	No	M 11
12 Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (included in Schedule RI, item 1 a (1)(a))	RIADF228	NR	M 12
13 Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option			M 13
a Net gains (losses) on assets	RIADF551	NR	M 13 a
1 Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk	RIADF552	NR	M13a1
b Net gains (losses) on liabilities	RIADF553	NR	M 13 b
1 Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk	RIADF554	NR	M13b1
14 Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities			M 14
a Total other-than-temporary impairment losses	RIADJ319	0	M 14 a
b Portion of losses recognized in other comprehensive income (before income taxes)	RIADJ320	0	M 14 b
c Net impairment losses recognized in earnings (included in Schedule RI, items 6 a and 6 b) (Memorandum item 14 a minus Memorandum item 14 b)	RIADJ321	0	M 14 c

Schedule RI-A - Changes in Bank Equity Capital

Dollar amounts in thousands			
1 Total bank equity capital most recently reported for the December 31, 2009, Reports of Condition and Income (i e , after adjustments from amended Reports of Income)	RIAD3217	1,423,451	1

Dollar amounts in thousands			
2 Cumulative effect of changes in accounting principles and corrections of material accounting errors	RIADB507	0	2
3 Balance end of previous calendar year as restated	RIADB508	1,423,451	3
4 Net income (loss) attributable to bank (must equal Schedule RI, item 14)	RIAD4340	132,017	4
5 Sale, conversion, acquisition, or retirement of capital stock, net (excluding treasury stock transactions)	RIADB509	0	5
6 Treasury stock transactions, net	RIADB510	0	6
7 Changes incident to business combinations, net	RIAD4356	0	7
8 Cash dividends declared on preferred stock	RIAD4470	0	8
9 Cash dividends declared on common stock	RIAD4460	27,400	9
10 Other comprehensive income	RIADB511	-2,501	10
11 Other transactions with parent holding company (not included in items 5, 6, 8, or 9 above)	RIAD4415	0	11
12 Total bank equity capital end of current period (sum of items 3 through 11) (must equal Schedule RC, item 27 a)	RIAD3210	1,525,567	12

Schedule RI-B Part I - Charge-offs and Recoveries on Loans and Leases

Dollar amounts in thousands	(Column A) Charge-offs Calendar year-to-date		(Column B) Recoveries Calendar year-to-date		
1 Loans secured by real estate					1
a Construction, land development, and other land loans					1 a
1 1-4 family residential construction loans	RIADC891	1,812	RIADC892	213	1 a 1
2 Other construction loans and all land development and other land loans	RIADC893	3,524	RIADC894	64	1 a 2
b Secured by farmland	RIAD3584	14	RIAD3585	0	1 b
c Secured by 1-4 family residential properties					1 c
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RIAD5411	66	RIAD5412	0	1 c 1
2 Closed-end loans secured by 1-4 family residential properties					1 c 2
a Secured by first liens	RIADC234	1,439	RIADC217	9	1.c.2.a
b Secured by junior liens	RIADC235	415	RIADC218	56	1.c.2.b
d Secured by multifamily (5 or more) residential properties	RIAD3588	2,660	RIAD3589	34	1 d
e Secured by nonfarm nonresidential properties					1 e
1 Loans secured by owner-occupied nonfarm nonresidential properties	RIADC895	515	RIADC896	0	1 e 1
2 Loans secured by other nonfarm nonresidential properties	RIADC897	89	RIADC898	12	1 e 2
2 Loans to depository institutions and acceptances of other banks	RIAD4481	0	RIAD4482	0	2
3 Not applicable					3
4 Commercial and industrial loans	RIAD4638	2,839	RIAD4608	346	4
5 Loans to individuals for household, family, and other personal expenditures					5
a Credit cards	RIADB514	0	RIADB515	0	5 a
b Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RIADB516	2,072	RIADB517	830	5 b
6 Loans to foreign governments and official institutions	RIAD4643	0	RIAD4627	0	6
7 All other loans	RIAD4644	14	RIAD4628	55	7
8 Lease financing receivables	RIAD4266	24	RIAD4267	0	8
9 Total	RIAD4635	15,483	RIAD4605	1,619	9
1 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RI-B, part I, items 4 and 7, above	RIAD5409	0	RIAD5410	0	M 1
2 Not available					M 2

Dollar amounts in thousands	(Column A) Charge-offs Calendar year-to-date		(Column B) Recoveries Calendar year-to-date		
a Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RI-B, part I, item 1, above)	RIAD4652	0	RIAD4662	0	M 2 a
b Loans to and acceptances of foreign banks (included in Schedule RI-B, part I, item 2, above)	RIAD4654	0	RIAD4664	0	M 2 b
c Commercial and industrial loans to non-U S addressees (domicile) (included in Schedule RI-B, part I, item 4, above)	RIAD4646	0	RIAD4618	0	M 2 c
d Leases to individuals for household, family, and other personal expenditures (included in Schedule RI-B, part I, item 8, above)	RIADF185	0	RIADF187	0	M 2 d
3 Loans to finance agricultural production and other loans to farmers (included in Schedule RI-B, part I, item 7, above)	RIAD4655	14	RIAD4665	55	M 3

Schedule RI-B Part I - Charge-offs and Recoveries on Loans and Leases

Dollar amounts in thousands			
4 Uncollectible retail credit card fees and finance charges reversed against income (i e , not included in charge-offs against the allowance for loan and lease losses)	RIADC388	NR	M 4

Schedule RI-B Part II - Changes in Allowance for Loan and Lease Losses

Dollar amounts in thousands			
1 Balance most recently reported for the December 31, 2009, Reports of Condition and Income (i e , after adjustments from amended Reports of Income)	RIADB522	51,863	1
2 Recoveries	RIAD4605	1,619	2
3 Charge-offs	RIADC079	15,483	3
4 Write-downs arising from transfers of loans to a held-for-sale account	RIAD5523	0	4
5 Provision for loan and lease losses	RIAD4230	13,585	5
6 Adjustments	RIADC233	0	6
7 Balance end of current period	RIAD3123	51,584	7
1 Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above	RIADC435	0	M 1
2 Separate valuation allowance for uncollectible retail credit card fees and finance charges	RIADC389	NR	M 2
3 Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges	RIADC390	NR	M 3
4 Amount of allowance for post-acquisition losses on purchased impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3) (included in Schedule RI-B, part II, item 7, above)	RIADC781	0	M 4

Schedule RI-E - Explanations

Dollar amounts in thousands			
1 Other noninterest income (from Schedule RI, item 5 l) Itemize and describe amounts greater than $25,000 that exceed 3% of Schedule RI, item 5 l			1
a Income and fees from the printing and sale of checks	RIADC013	1,396	1 a
b Earnings on/increase in value of cash surrender value of life insurance	RIADC014	1,610	1 b
c Income and fees from automated teller machines (ATMs)	RIADC016	4,792	1 c
d Rent and other income from other real estate owned	RIAD4042	0	1 d
e Safe deposit box rent	RIADC015	855	1 e
f Net change in the fair values of financial instruments accounted for under a fair value option	RIADF229	0	1 f
g Bank card and credit card interchange fees	RIADF555	7,790	1 g
h Gains on bargain purchases	RIADJ447	0	1 h
i Disclose component and the dollar amount of that component			1 i
1 Describe component	TEXT4461	NR	1 i 1

Dollar amounts in thousands			
2 Amount of component	RIAD4461	0	1 i 2
j Disclose component and the dollar amount of that component			1 j
1 Describe component	TEXT4462	NR	1 j 1
2 Amount of component	RIAD4462	0	1 j 2
k Disclose component and the dollar amount of that component			1 k
1 Describe component	TEXT4463	NR	1 k 1
2 Amount of component	RIAD4463	0	1 k 2
2 Other noninterest expense (from Schedule RI, item 7 d) Itemize and describe amounts greater than $25,000 that exceed 3% of Schedule RI, item 7 d			2
a Data processing expenses	RIADC017	3,155	2 a
b Advertising and marketing expenses	RIAD0497	2,057	2 b
c Directors' fees	RIAD4136	0	2 c
d Printing, stationery, and supplies	RIADC018	1,951	2 d
e Postage	RIAD8403	2,292	2 e
f Legal fees and expenses	RIAD4141	1,495	2 f
g FDIC deposit insurance assessments	RIAD4146	CONF	2 g
h Accounting and auditing expenses	RIADF556	0	2 h
i Consulting and advisory expenses	RIADF557	0	2 i
j Automated teller machine (ATM) and interchange expenses	RIADF558	3,067	2 j
k Telecommunications expenses	RIADF559	3,504	2 k
l Disclose component and the dollar amount of that component			2 l
1 Describe component	TEXT4464	Courier Expense	2 l 1
2 Amount of component	RIAD4464	1,985	2 l 2
m Disclose component and the dollar amount of that component			2 m
1 Describe component	TEXT4467	NR	2 m 1
2 Amount of component	RIAD4467	0	2 m 2
n Disclose component and the dollar amount of that component			2 n
1 Describe component	TEXT4468	NR	2 n 1
2 Amount of component	RIAD4468	0	2 n 2
3 Extraordinary items and other adjustments and applicable income tax effect (from Schedule RI, item 11)			3
a Disclose component, the gross dollar amount of that component, and its related income tax			3 a
1 Describe component	TEXT4469	NR	3 a 1
2 Amount of component	RIAD4469	0	3 a 2
3 Applicable income tax effect	RIAD4486	0	3 a 3
b Disclose component, the gross dollar amount of that component, and its related income tax			3 b
1 Describe component	TEXT4487	NR	3 b 1
2 Amount of component	RIAD4487	0	3 b 2
3 Applicable income tax effect	RIAD4488	0	3 b 3
c Disclose component, the gross dollar amount of that component, and its related income tax			3 c
1 Describe component	TEXT4489	NR	3 c 1
2 Amount of component	RIAD4489	0	3 c 2
3 Applicable income tax effect	RIAD4491	0	3 c 3
4 Cumulative effect of changes in accounting principles and corrections of material accounting errors (from Schedule RI-A, item 2) (itemize and describe all such effects)			4
a Cumulative effect of the initial application of FASB ASC 810-10 (former FAS 167) related to newly consolidated variable interest entities	RIADJ536	0	4 a
b Disclose component and the dollar amount of that component			4 b
1 Describe component	TEXTB527	NR	4 b 1

Dollar amounts in thousands			
2 Amount of component	RIADB527	0	4 b 2
5 Other transactions with parent holding company (from Schedule RI-A, item 11)			5
a Disclose component and the dollar amount of that component			5 a
1 Describe component	TEXT4498	NR	5 a 1
2 Amount of component	RIAD4498	0	5 a 2
b Disclose component and the dollar amount of that component			5 b
1 Describe component	TEXT4499	NR	5 b 1
2 Amount of component	RIAD4499	0	5 b 2
6 Adjustments to allowance for loan and lease losses (from Schedule RI-B, part II, item 6)			6
a Disclose component and the dollar amount of that component			6 a
1 Describe component	TEXT4521	NR	6 a 1
2 Amount of component	RIAD4521	0	6 a 2
b Disclose component and the dollar amount of that component			6 b
1 Describe component	TEXT4522	NR	6 b 1
2 Amount of component	RIAD4522	0	6 b 2
7 Other explanations			7
a Comments?	RIAD4769	No	7 a
b Other explanations	TEXT4769	NR	7 b

Schedule RC - Balance Sheet

Dollar amounts in thousands			
1 Cash and balances due from depository institutions (from Schedule RC-A)			1
a Noninterest-bearing balances and currency and coin	RCON0081	156,518	1 a
b Interest-bearing balances	RCON0071	2,440	1 b
2 Securities			2
a Held-to-maturity securities (from Schedule RC-B, column A)	RCON1754	4,188,563	2 a
b Available-for-sale securities (from Schedule RC-B, column D)	RCON1773	428,553	2 b
3 Federal funds sold and securities purchased under agreements to resell			3
a Federal funds sold	RCONB987	393	3 a
b Securities purchased under agreements to resell	RCONB989	0	3 b
4 Loans and lease financing receivables (from Schedule RC-C)			4
a Loans and leases held for sale	RCON5369	0	4 a
b Loans and leases, net of unearned income	RCONB528	3,485,023	4 b
c LESS Allowance for loan and lease losses	RCON3123	51,584	4 c
d Loans and leases, net of unearned income and allowance (item 4 b minus 4 c)	RCONB529	3,433,439	4 d
5 Trading assets (from Schedule RC-D)	RCON3545	0	5
6 Premises and fixed assets (including capitalized leases)	RCON2145	158,867	6
7 Other real estate owned (from Schedule RC-M)	RCON2150	11,053	7
8 Investments in unconsolidated subsidiaries and associated companies	RCON2130	0	8
9 Direct and indirect investments in real estate ventures	RCON3656	0	9
10 Intangible assets			10
a Goodwill	RCON3163	920,275	10 a
b Other intangible assets (from Schedule RC-M)	RCON0426	28,775	10 b
11 Other assets (from Schedule RC-F)	RCON2160	143,645	11
12 Total assets (sum of items 1 through 11)	RCON2170	9,472,521	12
13 Deposits			13
a In domestic offices (sum of totals of columns A and C from Schedule RC-E)	RCON2200	7,461,589	13 a
1 Noninterest-bearing	RCON6631	1,680,348	13 a 1
2 Interest-bearing	RCON6636	5,781,241	13 a 2
b Not applicable			13 b

Dollar amounts in thousands			
14 Federal funds purchased and securities sold under agreements to repurchase			14
a Federal funds purchased	RCONB993	0	14 a
b Securities sold under agreements to repurchase	RCONB995	60,659	14 b
15 Trading liabilities (from Schedule RC-D)	RCON3548	0	15
16 Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M)	RCON3190	374,433	16
17 Not applicable			17
18 Not applicable			18
19 Subordinated notes and debentures	RCON3200	0	19
20 Other liabilities (from Schedule RC-G)	RCON2930	50,274	20
21 Total liabilities (sum of items 13 through 20)	RCON2948	7,946,955	21
22 Not applicable			22
23 Perpetual preferred stock and related surplus	RCON3838	0	23
24 Common stock	RCON3230	520	24
25 Surplus (exclude all surplus related to preferred stock)	RCON3839	963,359	25
26 Not available			26
a Retained earnings	RCON3632	547,383	26 a
b Accumulated other comprehensive income	RCONB530	14,304	26 b
c Other equity capital components	RCONA130	0	26 c
27 Not available			27
a Total bank equity capital (sum of items 23 through 26 c)	RCON3210	1,525,566	27 a
b Noncontrolling (minority) interests in consolidated subsidiaries	RCON3000	0	27 b
28 Total equity capital (sum of items 27 a and 27 b)	RCONG105	1,525,566	28
29 Total liabilities and equity capital (sum of items 21 and 28)	RCON3300	9,472,521	29
1 Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2009	RCON6724	NR	M 1
2 Bank's fiscal year-end date	RCON8678	NR	M 2

Schedule RC-A - Cash and Balances Due From Depository Institutions

Dollar amounts in thousands			
1 Cash items in process of collection, unposted debits, and currency and coin			1
a Cash items in process of collection and unposted debits	RCON0020	100,231	1 a
b Currency and coin	RCON0080	55,943	1 b
2 Balances due from depository institutions in the U S			2
a U S branches and agencies of foreign banks	RCON0083	0	2 a
b Other commercial banks in the U S and other depository institutions in the U S	RCON0085	344	2 b
3 Balances due from banks in foreign countries and foreign central banks			3
a Foreign branches of other U S banks	RCON0073	0	3 a
b Other banks in foreign countries and foreign central banks	RCON0074	0	3 b
4 Balances due from Federal Reserve Banks	RCON0090	2,440	4
5 Total	RCON0010	158,958	5

Schedule RC-B - Securities

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
	RCON0211	RCON0213	RCON1286	RCON1287	
1 U S Treasury securities	100	100	0	0	1
2 U S Government agency obligations (exclude mortgage-backed securities)					2
	RCON1289	RCON1290	RCON1291	RCON1293	
a Issued by U S Government agencies	0	0	35	35	2 a
	RCON1294	RCON1295	RCON1297	RCON1298	
b Issued by U S Government-sponsored agencies	10,896	11,684	0	0	2 b
	RCON8496	RCON8497	RCON8498	RCON8499	
3 Securities issued by states and political subdivisions in the U S	49,294	49,103	47,637	48,840	3
4 Mortgage-backed securities (MBS)					4
a Residential mortgage pass-through securities					4 a
	RCONG300	RCONG301	RCONG302	RCONG303	
1 Guaranteed by GNMA	114,710	117,102	48,282	50,646	4 a 1
	RCONG304	RCONG305	RCONG306	RCONG307	
2 Issued by FNMA and FHLMC	3,568,204	3,680,439	300,853	318,864	4 a 2
	RCONG308	RCONG309	RCONG310	RCONG311	
3 Other pass-through securities	0	0	0	0	4 a 3
b Other residential mortgage-backed securities (include CMOs, REMICs, and stripped MBS)					4 b
	RCONG312	RCONG313	RCONG314	RCONG315	
1 Issued or guaranteed by FNMA, FHLMC, or GNMA	435,564	442,814	967	943	4 b 1
	RCONG316	RCONG317	RCONG318	RCONG319	
2 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	0	0	0	0	4 b 2
	RCONG320	RCONG321	RCONG322	RCONG323	
3 All other residential MBS	8,295	7,889	0	0	4 b 3
c Commercial MBS					4 c
	RCONG324	RCONG325	RCONG326	RCONG327	
1 Commercial mortgage pass-through securities	0	0	0	0	4 c 1
	RCONG328	RCONG329	RCONG330	RCONG331	
2 Other commercial MBS	0	0	0	0	4 c 2

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
5 Asset-backed securities and structured financial products					5
	RCONC026	RCONC988	RCONC989	RCONC027	
a Asset-backed securities (ABS)	0	0	0	0	5 a
b Structured financial products					5 b
	RCONG336	RCONG337	RCONG338	RCONG339	
1 Cash	0	0	0	0	5 b 1
	RCONG340	RCONG341	RCONG342	RCONG343	
2 Synthetic	0	0	0	0	5 b 2
	RCONG344	RCONG345	RCONG346	RCONG347	
3 Hybrid	0	0	0	0	5 b 3
6 Other debt securities					6
	RCON1737	RCON1738	RCON1739	RCON1741	
a Other domestic debt securities	1,500	1,676	1,484	1,676	6 a
	RCON1742	RCON1743	RCON1744	RCON1746	
b Foreign debt securities	0	0	0	0	6 b
			RCONA510	RCONA511	
7 Investments in mutual funds and other equity securities with readily determinable fair values			7,288	7,549	7
	RCON1754	RCON1771	RCON1772	RCON1773	
8 Total	4,188,563	4,310,807	406,546	428,553	8

Schedule RC-B - Securities

Dollar amounts in thousands			
1 Pledged securities	RCON0416	2,464,325	M 1
2 Maturity and repricing data for debt securities (excluding those in nonaccrual status)			M 2
a Securities issued by the U S Treasury, U S Government agencies, and states and political subdivisions in the U S , other non-mortgage debt securities, and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of			M 2 a
1 Three months or less	RCONA549	1,945	M 2 a 1
2 Over three months through 12 months	RCONA550	9,880	M 2 a 2
3 Over one year through three years	RCONA551	15,631	M 2 a 3
4 Over three years through five years	RCONA552	3,318	M 2 a 4
5 Over five years through 15 years	RCONA553	78,603	M 2 a 5
6 Over 15 years	RCONA554	2,964	M 2 a 6
b Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of			M 2 b
1 Three months or less	RCONA555	8,865	M 2 b 1
2 Over three months through 12 months	RCONA556	55,888	M 2 b 2
3 Over one year through three years	RCONA557	60,680	M 2 b 3
4 Over three years through five years	RCONA558	162,621	M 2 b 4
5 Over five years through 15 years	RCONA559	3,555,357	M 2 b 5
6 Over 15 years	RCONA560	209,013	M 2 b 6
c Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS, exclude mortgage pass-through securities) with an expected average life of			M 2 c
1 Three years or less	RCONA561	349,849	M 2 c 1
2 Over three years	RCONA562	94,954	M 2 c 2
d Debt securities with a REMAINING MATURITY of one year or less (included in Memorandum items 2 a through 2 c above)	RCONA248	14,024	M 2 d
3 Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date (report the amortized cost at date of sale or transfer)	RCON1778	0	M 3
4 Structured notes (included in the held-to-maturity and available-for-sale accounts in Schedule RC-B, items 2, 3, 5, and 6)			M 4
a Amortized cost	RCON8782	0	M 4 a
b Fair value	RCON8783	0	M 4 b

Schedule RC-B - Securities

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
5 Asset-backed securities (ABS) (for each column, sum of Memorandum items 5 a through 5 f must equal Schedule RC-B, item 5 a)					M 5
	RCONB838	RCONB839	RCONB840	RCONB841	
a Credit card receivables	0	0	0	0	M 5 a
	RCONB842	RCONB843	RCONB844	RCONB845	
b Home equity lines	0	0	0	0	M 5 b
	RCONB846	RCONB847	RCONB848	RCONB849	
c Automobile loans	0	0	0	0	M 5 c
	RCONB850	RCONB851	RCONB852	RCONB853	
d Other consumer loans	0	0	0	0	M 5 d
	RCONB854	RCONB855	RCONB856	RCONB857	
e Commercial and industrial loans	0	0	0	0	M 5 e
	RCONB858	RCONB859	RCONB860	RCONB861	
f Other	0	0	0	0	M 5 f
6 Structured financial products by underlying collateral or reference assets (for each column, sum of Memorandum items 6 a through 6 g must equal Schedule RC-B, sum of items 5 b(1) through(3))					M 6
	RCONG348	RCONG349	RCONG350	RCONG351	
a Trust preferred securities issued by financial institutions	0	0	0	0	M 6 a
	RCONG352	RCONG353	RCONG354	RCONG355	
b Trust preferred securities issued by real estate investment trusts	0	0	0	0	M 6 b
	RCONG356	RCONG357	RCONG358	RCONG359	
c Corporate and similar loans	0	0	0	0	M 6 c
	RCONG360	RCONG361	RCONG362	RCONG363	
d 1-4 family residential MBS issued or guaranteed by U S government-sponsored enterprises (GSEs)	0	0	0	0	M 6 d
	RCONG364	RCONG365	RCONG366	RCONG367	
e 1-4 family residential MBS not issued or guaranteed by GSEs	0	0	0	0	M 6 e
	RCONG368	RCONG369	RCONG370	RCONG371	
f Diversified (mixed) pools of structured financial products	0	0	0	0	M 6 f
	RCONG372	RCONG373	RCONG374	RCONG375	
g Other collateral or reference assets	0	0	0	0	M 6 g

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands	(Column A) To Be Completed by Banks with $300 Million or More in Total Assets		(Column B) To Be Completed by All Banks		
1 Loans secured by real estate					1
a Construction, land development, and other land loans					1 a
1 1-4 family residential construction loans			RCONF158	120,053	1 a 1
2 Other construction loans and all land development and other land loans			RCONF159	382,275	1 a 2
b Secured by farmland (including farm residential and other improvements)			RCON1420	98,871	1 b
c Secured by 1-4 family residential properties					1 c
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit			RCON1797	34,892	1 c 1
2 Closed-end loans secured by 1-4 family residential properties					1 c 2
a Secured by first liens			RCON5367	859,869	1.c.2.a
b Secured by junior liens			RCON5368	48,076	1.c.2.b
d Secured by multifamily (5 or more) residential properties			RCON1460	82,626	1 d
e Secured by nonfarm nonresidential properties					1 e
1 Loans secured by owner-occupied nonfarm nonresidential properties			RCONF160	704,563	1 e 1
2 Loans secured by other nonfarm nonresidential properties			RCONF161	583,460	1 e 2
2 Loans to depository institutions and acceptances of other banks			RCON1288	0	2
a To commercial banks in the U S					2 a
1 To U S branches and agencies of foreign banks	RCONB532	0			2 a 1
2 To other commercial banks in the U S	RCONB533	0			2 a 2
b To other depository institutions in the U S	RCONB534	0			2 b
c To banks in foreign countries					2 c
1 To foreign branches of other U S banks	RCONB536	0			2 c 1
2 To other banks in foreign countries	RCONB537	0			2 c 2
3 Loans to finance agricultural production and other loans to farmers			RCON1590	41,881	3
4 Commercial and industrial loans			RCON1766	341,742	4
a To U S addressees (domicile)	RCON1763	341,628			4 a
b To non-U S addressees (domicile)	RCON1764	114			4 b
5 Not applicable					5
6 Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)					6
a Credit cards			RCONB538	0	6 a
b Other revolving credit plans			RCONB539	5,173	6 b
c Other consumer loans (includes single payment, installment, and all student loans)			RCON2011	82,805	6 c
7 Loans to foreign governments and official institutions (including foreign central banks)			RCON2081	0	7
8 Obligations (other than securities and leases) of states and political subdivisions in the U S			RCON2107	67,683	8
9 Loans to nondepository financial institutions and other loans					9
a Loans to nondepository financial institutions			RCONJ454	0	9 a
b Other loans			RCONJ464	30,964	9 b.
1 Loans for purchasing or carrying securities (secured and unsecured)	RCON1545	7,107			9 b 1
2 All other loans (exclude consumer loans)	RCONJ451	23,857			9 b 2
10 Lease financing receivables (net of unearned income)			RCON2165	90	10

Dollar amounts in thousands	(Column A) To Be Completed by Banks with $300 Million or More in Total Assets		(Column B) To Be Completed by All Banks		
a Leases to individuals for household, family, and other personal expenditures (i e , consumer leases)	RCONF162	90			10 a
b All other leases	RCONF163	0			10 b
11 Any unearned income on loans reflected in items 1-9 above			RCON2123	0	11
12 Total loans and leases, net of unearned income			RCON2122	3,485,023	12

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands			
1 Loans and leases restructured and in compliance with modified terms (included in Schedule RC-C, part I, and not reported as past due or nonaccrual in Schedule RC-N, Memorandum item 1)			M 1
a Loans secured by 1-4 family residential properties	RCONF576	0	M 1 a
b Other loans and all leases (exclude loans to individuals for household, family, and other personal expenditures)	RCON1616	2,621	M 1 b
2 Maturity and repricing data for loans and leases (excluding those in nonaccrual status)			M 2
a Closed-end loans secured by first liens on 1-4 family residential properties (reported in Schedule RC-C, part I, item 1 c (2)(a), column B, above) with a remaining maturity or next repricing date of			M 2 a
1 Three months or less	RCONA564	20,710	M 2 a 1
2 Over three months through 12 months	RCONA565	49,992	M 2 a 2
3 Over one year through three years	RCONA566	84,010	M 2 a 3
4 Over three years through five years	RCONA567	133,320	M 2 a 4
5 Over five years through 15 years	RCONA568	535,932	M 2 a 5
6 Over 15 years	RCONA569	34,463	M 2 a 6
b All loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column B, above) EXCLUDING closed-end loans secured by first liens on 1-4 family residential properties (reported in Schedule RC-C, part I, item 1 c (2)(a), column B, above) with a remaining maturity or next repricing date of			M 2 b
1 Three months or less	RCONA570	304,211	M 2 b 1
2 Over three months through 12 months	RCONA571	421,461	M 2 b 2
3 Over one year through three years	RCONA572	548,455	M 2 b 3
4 Over three years through five years	RCONA573	478,422	M 2 b 4
5 Over five years through 15 years	RCONA574	623,643	M 2 b 5
6 Over 15 years	RCONA575	245,966	M 2 b 6
c Loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column B, above) with a REMAINING MATURITY of one year or less (excluding those in nonaccrual status)	RCONA247	414,834	M 2 c
3 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, part I, items 4 and 9, column B	RCON2746	35,324	M 3
4 Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties (included in Schedule RC-C, part I, item 1 c (2)(a), column B)	RCON5370	276,990	M 4
5 Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RC-C, part I, items 1 a through 1 e, column B)	RCONB837	7,210	M 5
6 Outstanding credit card fees and finance charges included in Schedule RC-C, part I, item 6 a	RCONC391	NR	M 6
7 Purchased impaired loans held for investment accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3) (exclude loans held for sale)			M 7
a Outstanding balance	RCONC779	0	M 7 a
b Carrying amount included in Schedule RC-C, part I, items 1 through 9	RCONC780	0	M 7 b

Dollar amounts in thousands			
8 Closed-end loans with negative amortization features secured by 1-4 family residential properties			M 8
a Total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, part I, items 1 c (2)(a) and 1 c (2)(b))	RCONF230	0	M 8 a
b Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties	RCONF231	NR	M 8 b
c Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the carrying amount reported in Memorandum item 8 a above	RCONF232	NR	M 8 c
9 Loans secured by 1-4 family residential properties in process of foreclosure (included in Schedule RC-C, part I, items 1 c (1), 1 c (2)(a), and 1 c (2)(b))	RCONF577	4,902	M 9
10 Loans measured at fair value (included in Schedule RC-C, part I, items 1 through 9)			M 10
a Loans secured by real estate			M 10 a
1 Construction, land development, and other land loans	RCONF578	NR	M.10.a.1
2 Secured by farmland (including farm residential and other improvements)	RCONF579	NR	M.10.a.2
3 Secured by 1-4 family residential properties			M.10.a.3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF580	NR	M10a3a
b Closed-end loans secured by 1-4 family residential properties			M10a3b
1 Secured by first liens	RCONF581	NR	M10a3b1
2 Secured by junior liens	RCONF582	NR	M10a3b2
4 Secured by multifamily (5 or more) residential properties	RCONF583	NR	M.10.a.4
5 Secured by nonfarm nonresidential properties	RCONF584	NR	M.10.a.5
b Commercial and industrial loans	RCONF585	NR	M 10 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 10 c
1 Credit cards	RCONF586	NR	M.10.c.1
2 Other revolving credit plans	RCONF587	NR	M.10.c.2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF588	NR	M.10.c.3
d Other loans	RCONF589	NR	M 10 d
11 Unpaid principal balance of loans measured at fair value (reported in Schedule RC-C, part I, Memorandum item 10)			M 11
a Loans secured by real estate			M 11 a
1 Construction, and land development, and other land loans	RCONF590	NR	M.11.a.1
2 Secured by farmland (including farm residential and other improvements)	RCONF591	NR	M.11.a.2
3 Secured by 1-4 family residential properties			M.11.a.3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF592	NR	M11a3a
b Closed-end loans secured by 1-4 family residential properties			M11a3b
1 Secured by first liens	RCONF593	NR	M11a3b1
2 Secured by junior liens	RCONF594	NR	M11a3b2
4 Secured by multifamily (5 or more) residential properties	RCONF595	NR	M.11.a.4
5 Secured by nonfarm nonresidential properties	RCONF596	NR	M.11.a.5
b Commercial and industrial loans	RCONF597	NR	M 11 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 11 c
1 Credit cards	RCONF598	NR	M 11.c.1
2 Other revolving credit plans	RCONF599	NR	M.11.c.2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF600	NR	M.11.c.3
d Other loans	RCONF601	NR	M 11 d

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands	(Column A) Fair value of acquired loans and leases at acquisition date	(Column B) Gross contractual amounts receivable at acquisition date	(Column C) Best estimate at acquisition date of contractual cash flows not expected to be collected	
12 Loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year				M 12
	RCONG091	RCONG092	RCONG093	
a Loans secured by real estate	0	0	0	M 12 a
	RCONG094	RCONG095	RCONG096	
b Commercial and industrial loans	0	0	0	M 12 b
	RCONG097	RCONG098	RCONG099	
c Loans to individuals for household, family, and other personal expenditures	0	0	0	M 12 c
	RCONG100	RCONG101	RCONG102	
d All other loans and all leases	0	0	0	M 12 d

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands			
13 Construction, land development, and other land loans in domestic offices with interest reserves			M 13
a Amount of loans that provide for the use of interest reserves (included in Schedule RC-C, part I, item 1 a, column B)	RCONG376	485	M 13 a
b Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter (included in Schedule RI, item 1 a (1)(a)(2))	RIADG377	9	M 13 b
14 Pledged loans and leases	RCONG378	374,433	M 14
15 Reverse mortgages			M 15
a Reverse mortgages outstanding that are held for investment (included in Schedule RC-C, item 1 c, above)			M 15 a
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ466	0	M.15.a.1
2 Proprietary reverse mortgages	RCONJ467	0	M.15.a.2
b Estimated number of reverse mortgage loan referrals to other lenders during the year from whom compensation has been received for services performed in connection with the origination of the reverse mortgages			M 15 b
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ468	0	M.15.b.1
2 Proprietary reverse mortgages	RCONJ469	0	M.15.b.2
c Principal amount of reverse mortgage originations that have been sold during the year			M 15 c
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ470	0	M.15.c.1
2 Proprietary reverse mortgages	RCONJ471	0	M 15.c.2

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands			
1 Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2), and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4, have original amounts of $100,000 or less	RCON6999	No	1

Dollar amounts in thousands			
2 Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories			2
a "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2)	RCON5562	NR	2 a
b "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4	RCON5563	NR	2 b

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands	(Column A) Number of Loans		(Column B) Amount Currently Outstanding		
3 Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2)					3
a With original amounts of $100,000 or less	RCON5564	571	RCON5565	24,521	3 a
b With original amounts of more than $100,000 through $250,000	RCON5566	745	RCON5567	95,910	3 b.
c With original amounts of more than $250,000 through $1,000,000	RCON5568	981	RCON5569	385,573	3 c
4 Number and amount currently outstanding of "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4					4
a With original amounts of $100,000 or less	RCON5570	2326	RCON5571	51,365	4 a
b With original amounts of more than $100,000 through $250,000	RCON5572	474	RCON5573	45,025	4 b
c With original amounts of more than $250,000 through $1,000,000	RCON5574	331	RCON5575	86,843	4 c

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands			
5 Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3, have original amounts of $100,000 or less	RCON6860	No	5
6 Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories			6
a "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b	RCON5576	NR	6 a
b "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3	RCON5577	NR	6 b

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands	(Column A) Number of Loans		(Column B) Amount Currently Outstanding		
7 Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b					7
a With original amounts of $100,000 or less	RCON5578	389	RCON5579	14,678	7 a
b With original amounts of more than $100,000 through $250,000	RCON5580	205	RCON5581	25,882	7 b
c With original amounts of more than $250,000 through $500,000	RCON5582	82	RCON5583	20,933	7 c
8 Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3					8
a With original amounts of $100,000 or less	RCON5584	903	RCON5585	15,393	8 a
b With original amounts of more than $100,000 through $250,000	RCON5586	98	RCON5587	8,532	8 b
c With original amounts of more than $250,000 through $500,000	RCON5588	39	RCON5589	6,636	8 c

Schedule RC-D - Trading Assets and Liabilities

Dollar amounts in thousands			
1 U S Treasury securities	RCON3531	NR	1
2 U S Government agency obligations (exclude mortgage-backed securities)	RCON3532	NR	2
3 Securities issued by states and political subdivisions in the U S	RCON3533	NR	3
4 Mortgage-backed securities (MBS)			4
a Residential mortgage pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA	RCONG379	NR	4 a
b Other residential MBS issued or guaranteed by FNMA, FHLMC, or GNMA (include CMOs, REMICs, and stripped MBS)	RCONG380	NR	4 b
c All other residential MBS	RCONG381	NR	4 c
d Commercial MBS	RCONG382	NR	4 d
5 Other debt securities			5
a Structured financial products			5 a
1 Cash	RCONG383	NR	5 a 1
2 Synthetic	RCONG384	NR	5 a 2
3 Hybrid	RCONG385	NR	5 a 3
b All other debt securities	RCONG386	NR	5 b
6 Loans			6
a Loans secured by real estate			6 a
1 Construction, land development, and other land loans	RCONF604	NR	6 a 1
2 Secured by farmland (including farm residential and other improvements)	RCONF605	NR	6 a 2
3 Secured by 1-4 family residential properties			6 a 3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF606	NR	6 a 3 a
b Closed-end loans secured by 1-4 family residential properties			6 a 3 b
1 Secured by first liens	RCONF607	NR	6.a.3.b.1
2 Secured by junior liens	RCONF611	NR	6.a.3.b.2.
4 Secured by multifamily (5 or more) residential properties	RCONF612	NR	6 a 4
5 Secured by nonfarm nonresidential properties	RCONF613	NR	6 a 5
b Commercial and industrial loans	RCONF614	NR	6 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			6 c
1 Credit cards	RCONF615	NR	6 c 1
2 Other revolving credit plans	RCONF616	NR	6 c 2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF617	NR	6 c 3
d Other loans	RCONF618	NR	6 d
7 Not applicable			7
8 Not applicable			8
9 Other trading assets	RCON3541	NR	9
10 Not applicable			10
11 Derivatives with a positive fair value	RCON3543	0	11
12 Total trading assets	RCON3545	0	12
13 Not available			13
a Liability for short positions	RCON3546	NR	13 a
b Other trading liabilities	RCONF624	NR	13 b
14 Derivatives with a negative fair value	RCON3547	0	14
15 Total trading liabilities	RCON3548	0	15
1 Unpaid principal balance of loans measured at fair value (reported in Schedule RC-D, items 6 a (1) through 6 d)			M 1
a Loans secured by real estate			M 1 a

Dollar amounts in thousands			
1 Construction, land development, and other land loans	RCONF625	NR	M 1 a 1
2 Secured by farmland (including farm residential and other improvements)	RCONF626	NR	M 1 a 2
3 Secured by 1-4 family residential properties			M 1 a 3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF627	NR	M.1.a.3.a
b Closed-end loans secured by 1-4 family residential properties			M.1.a.3.b
1 Secured by first liens	RCONF628	NR	M1a3b1
2 Secured by junior liens	RCONF629	NR	M1a3b2
4 Secured by multifamily (5 or more) residential properties	RCONF630	NR	M 1 a 4
5 Secured by nonfarm nonresidential properties	RCONF631	NR	M 1 a 5
b Commercial and industrial loans	RCONF632	NR	M 1 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 1 c
1 Credit cards	RCONF633	NR	M 1 c 1
2 Other revolving credit plans	RCONF634	NR	M 1 c 2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF635	NR	M 1 c 3
d Other loans	RCONF636	NR	M 1 d
2 Loans measured at fair value that are past due 90 days or more			M 2
a Fair value	RCONF639	NR	M 2 a
b Unpaid principal balance	RCONF640	NR	M 2 b
3 Structured financial products by underlying collateral or reference assets (sum of Memorandum items 3 a through 3 g must equal Schedule RC-D, sum of items 5 a (1) through (3))			M 3
a Trust preferred securities issued by financial institutions	RCONG299	NR	M 3 a
b Trust preferred securities issued by real estate investment trusts	RCONG332	NR	M 3 b
c Corporate and similar loans	RCONG333	NR	M 3 c
d 1-4 family residential MBS issued or guaranteed by U S government-sponsored enterprises (GSEs)	RCONG334	NR	M 3 d
e 1-4 family residential MBS not issued or guaranteed by GSEs	RCONG335	NR	M 3 e
f Diversified (mixed) pools of structured financial products	RCONG651	NR	M 3 f
g Other collateral or reference assets	RCONG652	NR	M 3 g
4 Pledged trading assets			M 4
a Pledged securities	RCONG387	NR	M 4 a
b Pledged loans	RCONG388	NR	M 4 b
5 Asset-backed securities			M 5
a Credit card receivables	RCONF643	NR	M 5 a
b Home equity lines	RCONF644	NR	M 5 b
c Automobile loans	RCONF645	NR	M 5 c
d Other consumer loans	RCONF646	NR	M 5 d
e Commercial and industrial loans	RCONF647	NR	M 5 e
f Other	RCONF648	NR	M 5 f
6 Retained beneficial interests in securitizations (first-loss or equity tranches)	RCONF651	NR	M 6
7 Equity securities			M 7
a Readily determinable fair values	RCONF652	NR	M 7 a
b Other	RCONF653	NR	M 7 b
8 Loans pending securitization	RCONF654	NR	M 8
9 Other trading assets (itemize and describe amounts included in Schedule RC-D, item 9, that are greater than $25,000 and exceed 25% of the item)			M 9
a Disclose component and the dollar amount of that component			M 9 a
1 Describe component	TEXTF655	NR	M 9 a 1
2 Amount of component	RCONF655	NR	M 9 a 2

Dollar amounts in thousands			
b Disclose component and the dollar amount of that component			M 9 b
1 Describe component	TEXTF656	NR	M 9 b 1
2 Amount of component	RCONF656	NR	M 9 b 2
c Disclose component and the dollar amount of that component			M 9 c
1 Describe component	TEXTF657	NR	M 9 c 1
2 Amount of component	RCONF657	NR	M 9 c 2
10 Other trading liabilities (itemize and describe amounts included in Schedule RC-D, item 13 b, that are greater than $25,000 and exceed 25% of the item)			M 10
a Disclose component and the dollar amount of that component			M 10 a
1 Describe component	TEXTF658	NR	M.10.a.1
2 Amount of component	RCONF658	NR	M.10.a.2
b Disclose component and the dollar amount of that component			M 10 b
1 Describe component	TEXTF659	NR	M.10.b.1
2 Amount of component	RCONF659	NR	M.10.b.2
c Disclose component and the dollar amount of that component			M 10 c
1 Describe component	TEXTF660	NR	M.10.c.1
2 Amount of component	RCONF660	NR	M.10.c.2

Schedule RC-E - Deposit Liabilities

Dollar amounts in thousands	(Column A) Transaction Accounts Total transaction accounts (including total demand deposits)	(Column B) Transaction Accounts Memo Total demand deposits (included in column A)	(Column C) Nontransaction Accounts Total nontransaction accounts (including MMDAs)	
Deposits of				
1 Individuals, partnerships, and corporations (include all certified and official checks)	RCONB549 550,170		RCONB550 5,621,108	1
2 U S Government	RCON2202 0		RCON2520 0	2
3 States and political subdivisions in the U S	RCON2203 163,511		RCON2530 1,126,800	3
4 Commercial banks and other depository institutions in the U S	RCONB551 0		RCONB552 0	4
5 Banks in foreign countries	RCON2213 0		RCON2236 0	5
6 Foreign governments and official institutions (including foreign central banks)	RCON2216 0		RCON2377 0	6
7 Total	RCON2215 713,681	RCON2210 437,351	RCON2385 6,747,908	7

Schedule RC-E - Deposit Liabilities

Dollar amounts in thousands			
1 Selected components of total deposits			M 1
a Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts	RCON6835	261,397	M 1 a
b Total brokered deposits	RCON2365	0	M 1 b
c Fully insured brokered deposits (included in Memorandum item 1 b above)			M 1 c

Dollar amounts in thousands			
1 Brokered deposits of less than $100,000	RCON2343	0	M 1 c 1
2 Brokered deposits of $100,000 through $250,000 and certain brokered retirement deposit accounts	RCONJ472	0	M 1 c 2
d Maturity data for brokered deposits			M 1 d
1 Brokered deposits issued in denominations of less than $100,000 with a remaining maturity of one year or less (included in Memorandum item 1 c (1) above)	RCONA243	0	M 1 d 1
2 Brokered deposits issued in denominations of $100,000 or more with a remaining maturity of one year or less	RCONA244	0	M 1 d 2
e Preferred deposits (uninsured deposits of states and political subdivisions in the U S reported in item 3 above which are secured or collateralized as required under state law) (to be completed for the December report only)	RCON5590	1,196	M 1 e
2 Components of total nontransaction accounts			M 2
a Savings deposits			M 2 a
1 Money market deposit accounts (MMDAs)	RCON6810	4,126,257	M 2 a 1
2 Other savings deposits (excludes MMDAs)	RCON0352	423,025	M 2 a 2
b Total time deposits of less than $100,000	RCON6648	1,120,426	M 2 b
c Total time deposits of $100,000 through $250,000	RCONJ473	741,230	M 2 c
d Total time deposits of more than $250,000	RCONJ474	336,969	M 2 d
e Individual Retirement Accounts (IRAs) and Keogh Plan accounts of $100,000 or more included in Memorandum items 2 c and 2 d above	RCONF233	62,503	M 2 e
3 Maturity and repricing data for time deposits of less than $100,000			M 3
a Time deposits of less than $100,000 with a remaining maturity or next repricing date of			M 3 a
1 Three months or less	RCONA579	290,608	M 3 a 1
2 Over three months through 12 months	RCONA580	628,864	M 3 a 2
3 Over one year through three years	RCONA581	158,566	M 3 a 3
4 Over three years	RCONA582	42,388	M 3 a 4
b Time deposits of less than $100,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 3 a (1) and 3 a (2) above)	RCONA241	915,361	M 3 b
4 Maturity and repricing data for time deposits of $100,000 or more			M 4
a Time deposits of $100,000 or more with a remaining maturity or next repricing date of			M 4 a
1 Three months or less	RCONA584	271,909	M 4 a 1
2 Over three months through 12 months	RCONA585	643,950	M 4 a 2
3 Over one year through three years	RCONA586	121,293	M 4 a 3
4 Over three years	RCONA587	41,047	M 4 a 4
b Time deposits of $100,000 or more with a REMAINING MATURITY of one year or less (included in Memorandum items 4 a (1) and 4 a (2) above)	RCONA242	915,131	M 4 b

Schedule RC-F - Other Assets

Dollar amounts in thousands			
1 Accrued interest receivable	RCONB556	29,935	1
2 Net deferred tax assets	RCON2148	0	2
3 Interest-only strips receivable (not in the form of a security) on			3
a Mortgage loans	RCONA519	0	3 a
b Other financial assets	RCONA520	0	3 b
4 Equity securities that DO NOT have readily determinable fair values	RCON1752	27,432	4
5 Life insurance assets	RCONC009	48,806	5
6 All other assets	RCON2168	37,472	6
a Prepaid expenses	RCON2166	4,325	6 a
b Repossessed personal property (including vehicles)	RCON1578	0	6 b

Dollar amounts in thousands			
c Derivatives with a positive fair value held for purposes other than trading	RCONC010	0	6 c
d Retained interests in accrued interest receivable related to securitized credit cards	RCONC436	0	6 d
e FDIC loss-sharing indemnification assets	RCONJ448	0	6 e
f Prepaid deposit insurance assessments	RCONJ449	CONF	6 f
g Disclose component and the dollar amount of that component			6 g
1 Describe component	TEXT3549	NR	6 g 1
2 Amount of component	RCON3549	0	6 g 2
h Disclose component and the dollar amount of that component			6 h
1 Describe component	TEXT3550	NR	6 h 1
2 Amount of component	RCON3550	0	6 h 2
i Disclose component and the dollar amount of that component			6 i
1 Describe component	TEXT3551	NR	6 i 1
2 Amount of component	RCON3551	0	6 i 2
7 Total	RCON2160	143,645	7

Schedule RC-G - Other Liabilities

Dollar amounts in thousands			
1 Not available			1
a Interest accrued and unpaid on deposits	RCON3645	3,627	1 a
b Other expenses accrued and unpaid (includes accrued income taxes payable)	RCON3646	36,445	1 b
2 Net deferred tax liabilities	RCON3049	4,332	2
3 Allowance for credit losses on off-balance sheet credit exposures	RCONB557	0	3
4 All other liabilities	RCON2938	5,870	4
a Accounts payable	RCON3066	0	4 a
b Deferred compensation liabilities	RCONC011	0	4 b
c Dividends declared but not yet payable	RCON2932	0	4 c
d Derivatives with a negative fair value held for purposes other than trading	RCONC012	0	4 d
e Disclose component and the dollar amount of that component			4 e
1 Describe component	TEXT3552	Click here for value	4 e 1
2 Amount of component	RCON3552	2,345	4 e 2
f Disclose component and the dollar amount of that component			4 f
1 Describe component	TEXT3553	Escrow Deposits	4 f 1
2 Amount of component	RCON3553	2,840	4 f 2
g Disclose component and the dollar amount of that component			4 g
1 Describe component	TEXT3554	NR	4 g 1
2 Amount of component	RCON3554	0	4 g 2
5 Total	RCON2930	50,274	5

(TEXT3552) Cardholder Transactions in Process

Schedule RC-K - Quarterly Averages

Dollar amounts in thousands			
1 Interest-bearing balances due from depository institutions	RCON3381	13,723	1
2 U S Treasury securities and U S Government agency obligations (excluding mortgage-backed securities)	RCONB558	14,241	2
3 Mortgage-backed securities	RCONB559	4,394,254	3
4 All other securities (includes securities issued by states and political subdivisions in the U S)	RCONB560	119,259	4

Dollar amounts in thousands			
5 Federal funds sold and securities purchased under agreements to resell	RCON3365	7,871	5
6 Loans			6
a Total loans	RCON3360	3,421,698	6 a
b Loans secured by real estate			6 b
1 Loans secured by 1-4 family residential properties	RCON3465	917,768	6 b 1
2 All other loans secured by real estate	RCON3466	1,964,258	6 b 2
c Commercial and industrial loans	RCON3387	398,981	6 c
d Loans to individuals for household, family, and other personal expenditures			6 d
1 Credit cards	RCONB561	0	6 d 1
2 Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONB562	96,596	6 d 2
7 Trading assets	RCON3401	0	7
8 Lease financing receivables (net of unearned income)	RCON3484	189	8
9 Total assets	RCON3368	9,311,152	9
10 Interest-bearing transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) (exclude demand deposits)	RCON3485	208,121	10
11 Nontransaction accounts			11
a Savings deposits (includes MMDAs)	RCONB563	4,632,942	11 a
b Time deposits of $100,000 or more	RCONA514	1,107,140	11 b
c Time deposits of less than $100,000	RCONA529	1,163,262	11 c
12 Federal funds purchased and securities sold under agreements to repurchase	RCON3353	77,759	12
13 Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	RCON3355	198,677	13
1 Loans to finance agricultural production and other loans to farmers	RCON3386	44,095	M 1

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
1 Unused commitments			1
a Revolving, open-end lines secured by 1-4 family residential properties, i e , home equity lines	RCON3814	22,848	1 a
1 Unused commitments for Home Equity Conversion Mortgage (HECM) reverse mortgages outstanding that are held for investment (included in item 1 a above)	RCONJ477	0	1 a 1
2 Unused commitments for proprietary reverse mortgages outstanding that are held for investment (included in item 1 a above)	RCONJ478	0	1 a 2
b Credit card lines (Sum of items 1 b (1) and 1 b (2) must equal item 1 b)	RCON3815	0	1 b
1 Unused consumer credit card lines	RCONJ455	0	1 b 1
2 Other unused credit card lines	RCONJ456	0	1 b 2
c Commitments to fund commercial real estate, construction, and land development loans			1 c
1 Secured by real estate			1 c 1
a 1-4 family residential construction loan commitments	RCONF164	75,628	1 c 1 a
b Commercial real estate, other construction loan, and land development loan commitments	RCONF165	106,810	1 c 1 b
2 Not secured by real estate	RCON6550	4,727	1 c 2
d Securities underwriting	RCON3817	0	1 d
e Other unused commitments			1 e
1 Commercial and industrial loans	RCONJ457	214,807	1 e 1
2 Loans to financial institutions	RCONJ458	0	1 e 2
3 All other unused commitments	RCONJ459	57,156	1 e 3
2 Financial standby letters of credit	RCON3819	15,182	2
a Amount of financial standby letters of credit conveyed to others	RCON3820	0	2 a

Dollar amounts in thousands			
3 Performance standby letters of credit	RCON3821	0	3
a Amount of performance standby letters of credit conveyed to others	RCON3822	0	3 a
4 Commercial and similar letters of credit	RCON3411	0	4
5 Not applicable			5
6 Securities lent (including customers' securities lent where the customer is indemnified against loss by the reporting bank)	RCON3433	0	6

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Sold Protection		(Column B) Purchased Protection		
7 Credit derivatives					7
a Notional amounts					7 a
1 Credit default swaps	RCONC968	0	RCONC969	0	7 a 1
2 Total return swaps	RCONC970	0	RCONC971	0	7 a 2
3 Credit options	RCONC972	0	RCONC973	0	7 a 3
4 Other credit derivatives	RCONC974	0	RCONC975	0	7 a 4
b Gross fair values					7 b
1 Gross positive fair value	RCONC219	0	RCONC221	0	7 b 1
2 Gross negative fair value	RCONC220	0	RCONC222	0	7 b 2

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
c Notational amounts by regulatory capital treatment			7 c
1 Positions covered under the Market Risk Rule			7 c 1
a Sold protection	RCONG401	0	7 c 1 a
b Purchased protection	RCONG402	0	7 c 1 b
2 All other positions			7 c 2
a Sold protection	RCONG403	0	7 c 2 a
b Purchased protection that is recognized as a guarantee for regulatory capital purposes	RCONG404	0	7 c 2 b
c Purchased protection that is not recognized as a guarantee for regulatory capital purposes	RCONG405	0	7 c 2 c

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Remaining Maturity of One Year or Less	(Column B) Remaining Maturity of Over One Year Through Five Years	(Column C) Remaining Maturity of Over Five Years	
d Notional amounts by remaining maturity				7 d
1 Sold credit protection				7 d 1
	RCONG406	RCONG407	RCONG408	
a Investment grade	0	0	0	7 d 1 a
	RCONG409	RCONG410	RCONG411	
b Subinvestment grade	0	0	0	7 d 1 b

Dollar amounts in thousands	(Column A) Remaining Maturity of One Year or Less	(Column B) Remaining Maturity of Over One Year Through Five Years	(Column C) Remaining Maturity of Over Five Years	
2 Purchased credit protection				7 d 2
	RCONG412	RCONG413	RCONG414	
a Investment grade	0	0	0	7 d 2 a
	RCONG415	RCONG416	RCONG417	
b Subinvestment grade	0	0	0	7 d 2 b

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
8 Spot foreign exchange contracts	RCON8765	0	8
9 All other off-balance sheet liabilities (exclude derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 27 a, "Total bank equity capital")	RCON3430	0	9
a Securities borrowed	RCON3432	0	9 a
b Commitments to purchase when-issued securities	RCON3434	0	9 b
c Standby letters of credit issued by a Federal Home Loan Bank on the bank's behalf	RCONC978	0	9 c
d Disclose component and the dollar amount of that component			9 d
1 Describe component	TEXT3555	NR	9 d 1
2 Amount of component	RCON3555	0	9 d 2
e Disclose component and the dollar amount of that component			9 e
1 Describe component	TEXT3556	NR	9 e 1
2 Amount of component	RCON3556	0	9 e 2
f Disclose component and the dollar amount of that component			9 f
1 Describe component	TEXT3557	NR	9 f 1
2 Amount of component	RCON3557	0	9 f 2
10 All other off-balance sheet assets (exclude derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 27 a, "Total bank equity capital")	RCON5591	0	10
a Commitments to sell when-issued securities	RCON3435	0	10 a
b Disclose component and the dollar amount of that component			10 b
1 Describe component	TEXT5592	NR	10 b 1
2 Amount of component	RCON5592	0	10 b 2
c Disclose component and the dollar amount of that component			10 c
1 Describe component	TEXT5593	NR	10 c 1
2 Amount of component	RCON5593	0	10 c 2
d Disclose component and the dollar amount of that component			10 d
1 Describe component	TEXT5594	NR	10 d 1
2 Amount of component	RCON5594	0	10 d 2
e Disclose component and the dollar amount of that component			10 e
1 Describe component	TEXT5595	NR	10 e 1
2 Amount of component	RCON5595	0	10 e 2
11 Year-to-date merchant credit card sales volume			11
a Sales for which the reporting bank is the acquiring bank	RCONC223	0	11 a
b Sales for which the reporting bank is the agent bank with risk	RCONC224	0	11 b

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts	
12 Gross amounts (e g , notional amounts)					12
a Futures contracts	RCON8693 0	RCON8694 0	RCON8695 0	RCON8696 0	12 a
b Forward contracts	RCON8697 0	RCON8698 0	RCON8699 0	RCON8700 0	12 b
c Exchange-traded option contracts					12 c
1 Written options	RCON8701 0	RCON8702 0	RCON8703 0	RCON8704 0	12 c 1
2 Purchased options	RCON8705 0	RCON8706 0	RCON8707 0	RCON8708 0	12 c 2
d Over-the-counter option contracts					12 d
1 Written options	RCON8709 0	RCON8710 0	RCON8711 0	RCON8712 0	12 d 1
2 Purchased options	RCON8713 0	RCON8714 0	RCON8715 0	RCON8716 0	12 d 2
e Swaps	RCON3450 0	RCON3826 0	RCON8719 0	RCON8720 0	12 e
13 Total gross notional amount of derivative contracts held for trading	RCONA126 0	RCONA127 0	RCON8723 0	RCON8724 0	13
14 Total gross notional amount of derivative contracts held for purposes other than trading	RCON8725 0	RCON8726 0	RCON8727 0	RCON8728 0	14
a Interest rate swaps where the bank has agreed to pay a fixed rate	RCONA589 0				14 a
15 Not available					15
a Contracts held for trading					15 a
1 Gross positive fair value	RCON8733 0	RCON8734 0	RCON8735 0	RCON8736 0	15 a 1
2 Gross negative fair value	RCON8737 0	RCON8738 0	RCON8739 0	RCON8740 0	15 a 2

Dollar amounts in thousands	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts	
b Contracts held for purposes other than trading					15 b
	RCON8741	RCON8742	RCON8743	RCON8744	
1 Gross positive fair value	0	0	0	0	15 b 1
	RCON8745	RCON8746	RCON8747	RCON8748	
2 Gross negative fair value	0	0	0	0	15 b 2

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Banks and Securities Firms	(Column B) Monoline Financial Guarantors	(Column C) Hedge Funds	(Column D) Sovereign Governments	(Column E) Corporations and All Other Counterparties	
16 Over-the counter derivatives						16
	RCONG418	RCONG419	RCONG420	RCONG421	RCONG422	
a Net current credit exposure	NR	NR	NR	NR	NR	16 a
b Fair value of collateral						16 b
	RCONG423	RCONG424	RCONG425	RCONG426	RCONG427	
1 Cash - U S dollar	NR	NR	NR	NR	NR	16 b 1
	RCONG428	RCONG429	RCONG430	RCONG431	RCONG432	
2 Cash - Other currencies	NR	NR	NR	NR	NR	16 b 2
	RCONG433	RCONG434	RCONG435	RCONG436	RCONG437	
3 U S Treasury securities	NR	NR	NR	NR	NR	16 b 3
	RCONG438	RCONG439	RCONG440	RCONG441	RCONG442	
4 U S Government agency and U S Government-sponsored agency debt securities	NR	NR	NR	NR	NR	16 b 4
	RCONG443	RCONG444	RCONG445	RCONG446	RCONG447	
5 Corporate bonds	NR	NR	NR	NR	NR	16 b 5
	RCONG448	RCONG449	RCONG450	RCONG451	RCONG452	
6 Equity securities	NR	NR	NR	NR	NR	16 b 6
	RCONG453	RCONG454	RCONG455	RCONG456	RCONG457	
7 All other collateral	NR	NR	NR	NR	NR	16 b 7
	RCONG458	RCONG459	RCONG460	RCONG461	RCONG462	
8 Total fair value of collateral (sum of items 16 b (1) through (7))	NR	NR	NR	NR	NR	16 b 8

Schedule RC-M - Memoranda

Dollar amounts in thousands			
1 Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date			1
a Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests	RCON6164	15,519	1 a
b Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as defined for this purpose in agency regulations	RCON6165	7	1 b
2 Intangible assets other than goodwill			2
a Mortgage servicing assets	RCON3164	0	2 a
1 Estimated fair value of mortgage servicing assets	RCONA590	0	2 a 1
b Purchased credit card relationships and nonmortgage servicing assets	RCONB026	0	2 b
c All other identifiable intangible assets	RCON5507	28,775	2 c
d Total	RCON0426	28,775	2 d
3 Other real estate owned			3
a Construction, land development, and other land	RCON5508	7,004	3 a
b Farmland	RCON5509	0	3 b
c 1-4 family residential properties	RCON5510	2,232	3 c
d Multifamily (5 or more) residential properties	RCON5511	0	3 d
e Nonfarm nonresidential properties	RCON5512	1,817	3 e
f Foreclosed properties from "GNMA loans"	RCONC979	0	3 f
g Total (sum of items 3 a through 3 f) (must equal Schedule RC, item 7)	RCON2150	11,053	3 g
4 Not applicable			4
5 Other borrowed money			5
a Federal Home Loan Bank advances			5 a
1 Advances with a remaining maturity or next repricing date of			5 a 1
a One year or less	RCONF055	360,656	5 a 1 a
b Over one year through three years	RCONF056	150	5 a 1 b
c Over three years through five years	RCONF057	1,989	5 a 1 c
d Over five years	RCONF058	11,638	5 a 1 d
2 Advances with a remaining maturity of one year or less (included in item 5 a (1)(a) above)	RCON2651	360,656	5 a 2
3 Structured advances (included in items 5 a (1)(a) - (d) above)	RCONF059	0	5 a 3
b Other borrowings			5 b
1 Other borrowings with a remaining maturity of next repricing date of			5 b 1
a One year or less	RCONF060	0	5 b 1 a
b Over one year through three years	RCONF061	0	5 b 1 b
c Over three years through five years	RCONF062	0	5 b 1 c
d Over five years	RCONF063	0	5 b 1 d
2 Other borrowings with a remaining maturity of one year or less (included in item 5 b (1)(a) above)	RCONB571	0	5 b 2
c Total	RCON3190	374,433	5 c
6 Does the reporting bank sell private label or third party mutual funds and annuities?	RCONB569	Yes	6
7 Assets under the reporting bank's management in proprietary mutual funds and annuities	RCONB570	0	7
8 Primary Internet Web site address of the bank (home page), if any	TEXT4087	Click here for value	8
9 Do any of the bank's Internet Web sites have transactional capability, i e , allow the bank's customers to execute transactions on their accounts through the Web site?	RCON4088	Yes	9
10 Secured liabilities			10
a Amount of "Federal funds purchased" that are secured (included in Schedule RC, item 14 a)	RCONF064	0	10 a

Dollar amounts in thousands			
b Amount of "Other borrowings" that are secured (included in Schedule RC-M, items 5 b (1)(a) - (d))	RCONF065	0	10 b
11 Does the bank act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts?	RCONG463	No	11
12 Does the bank provide custody, safekeeping, or other services involving the acceptance of orders for the sale or purchase of securities?	RCONG464	No	12
13 Assets covered by loss-sharing agreements with the FDIC			13
a Loans and leases (included in Schedule RC, items 4 a and 4 b)	RCONJ452	0	13 a
b Other real estate owned (included in Schedule RC, item 7)	RCONJ453	0	13 b
c Debt securities (included in Schedule RC, items 2 a and 2 b)	RCONJ461	0	13 c
d Other assets	RCONJ462	0	13 d

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Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
1 Loans secured by real estate				1
a Construction, land development, and other land loans				1 a
	RCONF172	RCONF174	RCONF176	
1 1-4 family residential construction loans	4,975	48	1,251	1 a 1
	RCONF173	RCONF175	RCONF177	
2 Other construction loans and all land development and other land loans	1,420	0	166	1 a 2
	RCON3493	RCON3494	RCON3495	
b Secured by farmland	236	0	0	1 b
c Secured by 1-4 family residential properties				1 c
	RCON5398	RCON5399	RCON5400	
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	20	0	0	1 c 1
2 Closed-end loans secured by 1-4 family residential properties				1 c 2
	RCONC236	RCONC237	RCONC229	
a Secured by first liens	5,893	142	1,442	1 c 2 a
	RCONC238	RCONC239	RCONC230	
b Secured by junior liens	304	0	117	1 c 2 b
	RCON3499	RCON3500	RCON3501	
d Secured by multifamily (5 or more) residential properties	0	0	0	1 d
e Secured by nonfarm nonresidential properties				1 e
	RCONF178	RCONF180	RCONF182	
1 Loans secured by owner-occupied nonfarm nonresidential properties	3,649	0	14	1 e 1
	RCONF179	RCONF181	RCONF183	
2 Loans secured by other nonfarm nonresidential properties	2,594	0	221	1 e 2
	RCONB834	RCONB835	RCONB836	
2 Loans to depository institutions and acceptances of other banks	0	0	0	2

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
3 Not applicable				3
	RCON1606	RCON1607	RCON1608	
4 Commercial and industrial loans	2,047	0	1,179	4
5 Loans to individuals for household, family, and other personal expenditures				5
	RCONB575	RCONB576	RCONB577	
a Credit cards	0	0	0	5 a
	RCONB578	RCONB579	RCONB580	
b Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	241	0	37	5 b
	RCON5389	RCON5390	RCON5391	
6 Loans to foreign governments and official institutions	0	0	0	6
	RCON5459	RCON5460	RCON5461	
7 All other loans	15	0	11	7
	RCON1226	RCON1227	RCON1228	
8 Lease financing receivables	0	0	0	8
	RCON3505	RCON3506	RCON3507	
9 Debt securities and other assets (exclude other real estate owned and other repossessed assets)	0	0	0	9
	RCON5612	RCON5613	RCON5614	
10 Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U S Government (including loans and leases covered by FDIC loss-sharing agreements)	499	0	62	10
	RCON5615	RCON5616	RCON5617	
a Guaranteed portion of loans and leases included in item 10 above (exclude rebooked "GNMA loans")	381	0	31	10 a
	RCONC866	RCONC867	RCONC868	
b Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 10 above	0	0	0	10 b
1 Restructured loans and leases included in Schedule RC-N, items 1 through 8, above (and not reported in Schedule RC-C, Part I, Memorandum item 1)				M 1
	RCONF661	RCONF662	RCONF663	
a Loans secured by 1-4 family residential properties	0	0	0	M 1 a
	RCON1658	RCON1659	RCON1661	
b Other loans and all leases (exclude loans to individuals for household, family, and other personal expenditures)	0	0	0	M 1 b
	RCON6558	RCON6559	RCON6560	
2 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-N, items 4 and 7, above	0	0	0	M 2
3 Not available				M 3
	RCON1248	RCON1249	RCON1250	
a Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RC-N, item 1, above)	0	0	0	M 3 a
	RCON5380	RCON5381	RCON5382	
b Loans to and acceptances of foreign banks (included in Schedule RC-N, item 2, above)	0	0	0	M 3 b
	RCON1254	RCON1255	RCON1256	
c Commercial and industrial loans to non-U S addressees (domicile) (included in Schedule RC-N, item 4, above)	0	0	0	M 3 c
	RCONF166	RCONF167	RCONF168	
d Leases to individuals for household, family, and other personal expenditures (included in Schedule RC-N, item 8, above)	0	0	0	M 3 d
	RCON1594	RCON1597	RCON1583	
4 Loans to finance agricultural production and other loans to farmers (included in Schedule RC-N, item 7, above)	15	0	11	M 4
5 Loans and leases held for sale and loans measured at fair value (included in Schedule RC-N, items 1 through 8, above)				M 5

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
	RCONC240	RCONC241	RCONC226	
a Loans and leases held for sale	0	0	0	M 5 a
b Loans measured at fair value				M 5 b
	RCONF664	RCONF665	RCONF666	
1 Fair value	0	0	0	M 5 b 1
	RCONF667	RCONF668	RCONF669	
2 Unpaid principal balance	0	0	0	M 5 b 2

Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands	(Column A) Past due 30 through 89 days		(Column B) Past due 90 days or more		
6 Derivative contracts Fair value of amounts carried as assets	RCON3529	0	RCON3530	0	M 6

Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands			
7 Additions to nonaccrual assets during the quarter	RCONC410	1,292	M 7
8 Nonaccrual assets sold during the quarter	RCONC411	20	M 8

Schedule RC-O - Other Data for Deposit Insurance and FICO Assessments

Dollar amounts in thousands			
1 Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations	RCONF236	7,465,216	1
2 Total allowable exclusions	RCONF237	0	2
3 Not applicable			3
4 Total daily average of deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations	RCONF238	7,467,940	4
5 Total daily average of allowable exclusions	RCONF239	0	5
6 Not applicable			6
7 Unsecured "Other borrowings" with a remaining maturity of (sum of items 7 a through 7 d must be less than or equal to Schedule RC-M, items 5 b (1)(a)-(d) minus item 10 b)			7
a One year or less	RCONG465	0	7 a
b Over one year through three years	RCONG466	0	7 b
c Over three years through five years	RCONG467	0	7 c
d Over five years	RCONG468	0	7 d
8 Subordinated notes and debentures with a remaining maturity of (sum of items 8 a through 8 d must equal Schedule RC, item 19)			8
a One year or less	RCONG469	0	8 a
b Over one year through three years	RCONG470	0	8 b
c Over three years through five years	RCONG471	0	8 c
d Over five years	RCONG472	0	8 d
9 Reciprocal brokered deposits (included in Schedule RC-E, part I, Memorandum item 1 b)	RCONG803	0	9
1 Total assessable deposits of the bank, including related interest accrued and unpaid (sum of Memorandum items 1 a (1), 1 b (1), 1 c (1), and 1 d (1) must equal Schedule RC-O, item 1 less item 2)			M 1

Dollar amounts in thousands			
a Deposit accounts (excluding retirement accounts) of $250,000 or less			M 1 a
1 Amount of deposit accounts (excluding retirement accounts) of $250,000 or less	RCONF049	4,572,671	M 1 a 1
2 Number of deposit accounts (excluding retirement accounts) of $250,000 or less	RCONF050	360719	M 1.a 2.
b Deposit accounts (excluding retirement accounts) of more than $250,000			M 1 b
1 Amount of deposit accounts (excluding retirement accounts) of more than $250,000	RCONF051	2,631,148	M 1 b 1
2 Number of deposit accounts (excluding retirement accounts) of more than $250,000	RCONF052	2703	M 1 b 2
c Retirement deposit accounts of $250,000 or less			M 1 c
1 Amount of retirement deposit accounts of $250,000 or less	RCONF045	249,071	M 1 c 1
2 Number of retirement deposit accounts of $250,000 or less	RCONF046	14456	M 1 c 2
d Retirement deposit accounts of more than $250,000			M 1 d
1 Amount of retirement deposit accounts of more than $250,000	RCONF047	12,326	M 1 d 1
2 Number of retirement deposit accounts of more than $250,000	RCONF048	27	M 1 d 2
2 Estimated amount of uninsured assessable deposits, including related interest accrued and unpaid	RCON5597	1,313,260	M 2
3 Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report or Thrift Financial Report? If so, report the legal title and FDIC Certificate Number of the parent bank or parent savings association			M 3
a Legal title	TEXTA545	NR	M 3 a
b FDIC Certificate Number	RCONA545	0	M 3 b
4 Noninterest-bearing transaction accounts (as defined in Part 370 of the FDIC's regulations) of more than $250,000 (see instructions)			M 4
a Average daily amount of noninterest-bearing transaction accounts of more than $250,000 (including balances swept from noninterest-bearing transaction accounts to noninterest-bearing savings accounts)	RCONJ651	NR	M 4 a
b Average daily number of noninterest-bearing transaction accounts of more than $250,000 (rounded to two decimal places)	RCONJ652	NR	M 4 b
5 Noninterest-bearing transaction accounts (as defined in Section 343 of the Dodd-Frank Act) of more than $250,000 (see instructions)			M 5
a Amount of noninterest-bearing transaction accounts of more than $250,000	RCONJ944	567,610	M 5 a
b Number of noninterest-bearing transaction accounts of more than $250,000	RCONJ945	976	M 5 b

Schedule RC-P - 1-4 Family Residential Mortgage Banking Activities

Dollar amounts in thousands			
1 Retail originations during the quarter of 1-4 family residential mortgage loans for sale			1
a Closed-end first liens	RCONF066	0	1 a
b Closed-end junior liens	RCONF067	0	1 b
c Open-end loans extended under lines of credit			1 c
1 Total commitment under the lines of credit	RCONF670	0	1 c 1
2 Principal amount funded under the lines of credit	RCONF671	0	1 c 2
2 Wholesale originations and purchases during the quarter of 1-4 family residential mortgage loans for sale			2
a Closed-end first liens	RCONF068	0	2 a
b Closed-end junior liens	RCONF069	0	2 b
c Open-end loans extended under lines of credit			2 c
1 Total commitment under the lines of credit	RCONF672	0	2 c 1
2 Principal amount funded under the lines of credit	RCONF673	0	2 c 2
3 1-4 family residential mortgages sold during the quarter			3
a Closed-end first liens	RCONF070	0	3 a
b Closed-end junior liens	RCONF071	0	3 b

Dollar amounts in thousands			
c Open-end loans extended under lines of credit			3 c
1 Total commitment under the lines of credit	RCONF674	0	3 c 1
2 Principal amount funded under the lines of credit	RCONF675	0	3 c 2
4 1-4 family residential mortgages held for sale at quarter-end (included in Schedule RC, item 4 a)			4
a Closed-end first liens	RCONF072	0	4 a
b Closed-end junior liens	RCONF073	0	4 b
c Open-end loans extended under lines of credit			4 c
1 Total commitment under the lines of credit	RCONF676	0	4 c 1
2 Principal amount funded under the lines of credit	RCONF677	0	4 c 2
5 Noninterest income for the quarter from the sale, securitization, and servicing of 1-4 family residential mortgage loans (included in Schedule RI, items 5 f, 5 g, and 5 i)			5
a Closed-end 1-4 family residential mortgage loans	RIADF184	0	5 a
b Open-end 1-4 family residential mortgage loans extended under lines of credit	RIADF560	0	5 b
6 Repurchases and indemnifications of 1-4 family residential mortgage loans during the quarter			6
a Closed-end first liens	RCONF678	0	6 a
b Closed-end junior liens	RCONF679	0	6 b
c Open-end loans extended under line of credit			6 c
1 Total commitment under the lines of credit	RCONF680	0	6 c 1
2 Principal amount funded under the lines of credit	RCONF681	0	6 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
1 Available-for-sale securities	RCON1773 428,553	RCONG474 0	RCONG475 0	RCONG476 428,553	RCONG477 0	1
2 Federal funds sold and securities purchased under agreements to resell	RCONG478 0	RCONG479 0	RCONG480 0	RCONG481 0	RCONG482 0	2
3 Loans and leases held for sale	RCONG483 0	RCONG484 0	RCONG485 0	RCONG486 0	RCONG487 0	3
4 Loans and leases held for investment	RCONG488 0	RCONG489 0	RCONG490 0	RCONG491 0	RCONG492 0	4
5 Trading assets						5
a Derivative assets	RCON3543 0	RCONG493 0	RCONG494 0	RCONG495 0	RCONG496 0	5 a
b Other trading assets	RCONG497 0	RCONG498 0	RCONG499 0	RCONG500 0	RCONG501 0	5 b
1 Nontrading securities at fair value with changes in fair value reported in current earnings (included in Schedule RC-Q, item 5 b, above)	RCONF240 0	RCONF684 0	RCONF692 0	RCONF241 0	RCONF242 0	5 b 1
6 All other assets	RCONG391 0	RCONG392 0	RCONG395 0	RCONG396 0	RCONG804 0	6
7 Total assets measured at fair value on a recurring basis (sum of items 1 through 5 b plus item 6)	RCONG502 428,553	RCONG503 0	RCONG504 0	RCONG505 428,553	RCONG506 0	7
8 Deposits	RCONF252 0	RCONF686 0	RCONF694 0	RCONF253 0	RCONF254 0	8
9 Federal funds purchased and securities sold under agreements to repurchase	RCONG507 0	RCONG508 0	RCONG509 0	RCONG510 0	RCONG511 0	9
10 Trading liabilities						10
a Derivative liabilities	RCON3547 0	RCONG512 0	RCONG513 0	RCONG514 0	RCONG515 0	10 a
b Other trading liabilities	RCONG516 0	RCONG517 0	RCONG518 0	RCONG519 0	RCONG520 0	10 b

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG521	RCONG522	RCONG523	RCONG524	RCONG525	
11 Other borrowed money	0	0	0	0	0	11
	RCONG526	RCONG527	RCONG528	RCONG529	RCONG530	
12 Subordinated notes and debentures	0	0	0	0	0	12
	RCONG805	RCONG806	RCONG807	RCONG808	RCONG809	
13 All other liabilities	0	0	0	0	0	13
	RCONG531	RCONG532	RCONG533	RCONG534	RCONG535	
14 Total liabilities measured at fair value on a recurring basis (sum of items 8 through 13)	0	0	0	0	0	14
1 All other assets (itemize and describe amounts included in Schedule RC-Q, item 6, that are greater than $25,000 and exceed 25% of item 6)						M 1
	RCONG536	RCONG537	RCONG538	RCONG539	RCONG540	
a Mortgage servicing assets	0	0	0	0	0	M 1 a
	RCONG541	RCONG542	RCONG543	RCONG544	RCONG545	
b Nontrading derivative assets	0	0	0	0	0	M 1 b

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
c Disclose component and the dollar amount of that component			M 1 c
1 Describe component	TEXTG546	NR	M 1 c 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG546	RCONG547	RCONG548	RCONG549	RCONG550	
2 Amount of component	0	0	0	0	0	M 1 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
d Disclose component and the dollar amount of that component			M 1 d
1 Describe component	TEXTG551	NR	M 1 d 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG551	RCONG552	RCONG553	RCONG554	RCONG555	
2 Amount of component	0	0	0	0	0	M 1 d 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
e Disclose component and the dollar amount of that component			M 1 e
1 Describe component	TEXTG556	NR	M 1 e 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG556	RCONG557	RCONG558	RCONG559	RCONG560	
2 Amount of component	0	0	0	0	0	M 1 e 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
f Disclose component and the dollar amount of that component			M 1 f
1 Describe component	TEXTG561	NR	M 1 f 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG561	RCONG562	RCONG563	RCONG564	RCONG565	
2 Amount of component	0	0	0	0	0	M 1 f 2
2 All other liabilities (itemize and describe amounts included in Schedule RC-Q, item 13, that are greater than $25,000 and exceed 25% of item 13)						M 2
	RCONF261	RCONF689	RCONF697	RCONF262	RCONF263	
a Loan commitments (not accounted for as derivatives)	0	0	0	0	0	M 2 a
	RCONG566	RCONG567	RCONG568	RCONG569	RCONG570	
b Nontrading derivative liabilities	0	0	0	0	0	M 2 b

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
c Disclose component and the dollar amount of that component			M 2 c
1 Describe component	TEXTG571	NR	M 2 c 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG571	RCONG572	RCONG573	RCONG574	RCONG575	
2 Amount of component	0	0	0	0	0	M 2 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
d Disclose component and the dollar amount of that component			M 2 d
1 Describe component	TEXTG576	NR	M 2 d 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG576	RCONG577	RCONG578	RCONG579	RCONG580	
2 Amount of component	0	0	0	0	0	M 2 d 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
e Disclose component and the dollar amount of that component			M 2 e
1 Describe component	TEXTG581	NR	M 2 e 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG581	RCONG582	RCONG583	RCONG584	RCONG585	
2 Amount of component	0	0	0	0	0	M 2 e 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
f Disclose component and the dollar amount of that component			M 2 f
1 Describe component	TEXTG586	NR	M 2 f 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG586	RCONG587	RCONG588	RCONG589	RCONG590	
2 Amount of component	0	0	0	0	0	M 2 f 2

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands			
1 Total bank equity capital (from Schedule RC, item 27 a)	RCON3210	1,525,566	1
2 Net unrealized gains (losses) on available-for-sale securities	RCON8434	14,304	2
3 Net unrealized loss on available-for-sale equity securities	RCONA221	0	3
4 Accumulated net gains (losses) on cash flow hedges	RCON4336	0	4
5 Nonqualifying perpetual preferred stock	RCONB588	0	5
6 Qualifying noncontrolling (minority) interests in consolidated subsidiaries	RCONB589	0	6
7 Not available			7
a Disallowed goodwill and other disallowed intangible assets	RCONB590	949,050	7 a
b Cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank's own creditworthiness	RCONF264	0	7 b
8 Subtotal	RCONC227	562,212	8
9 Not available			9
a Disallowed servicing assets and purchased credit card relationships	RCONB591	0	9 a
b Disallowed deferred tax assets	RCON5610	0	9 b
10 Other additions to (deductions from) Tier 1 capital	RCONB592	0	10
11 Tier 1 capital	RCON8274	562,212	11
12 Qualifying subordinated debt and redeemable preferred stock	RCON5306	0	12
13 Cumulative perpetual preferred stock includible in Tier 2 capital	RCONB593	0	13
14 Allowance for loan and lease losses includible in Tier 2 capital	RCON5310	51,584	14
15 Unrealized gains on available-for-sale equity securities includible in Tier 2 capital	RCON2221	0	15
16 Other Tier 2 capital components	RCONB594	0	16
17 Tier 2 capital	RCON5311	51,584	17
18 Allowable Tier 2 capital	RCON8275	51,584	18
19 Tier 3 capital allocated for market risk	RCON1395	0	19
20 Deductions for total risk-based capital	RCONB595	0	20
21 Total risk-based capital	RCON3792	613,796	21
22 Average total assets (from Schedule RC-K, item 9)	RCON3368	9,311,152	22
23 Disallowed goodwill and other disallowed intangible assets (from item 7 above)	RCONB590	949,050	23
24 Disallowed servicing assets and purchased credit card relationships (from item 9 a above)	RCONB591	0	24
25 Disallowed deferred tax assets (from item 9 b above)	RCON5610	0	25
26 Other deductions from assets for leverage capital purposes	RCONB596	0	26
27 Average total assets for leverage capital purposes	RCONA224	8,362,102	27
28 Not available			28
a Adjustment to Tier 1 capital reported in item 11	RCONC228	0	28 a
b Adjustment to total risk-based capital reported in item 21	RCONB503	0	28 b
29 Adjustment to risk-weighted assets reported in item 62	RCONB504	0	29
30 Adjustment to average total assets reported in item 27	RCONB505	0	30

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Percentage (Banks with Financial Subsidiaries)		(Column B) Percentage (All Banks)		
31 Tier 1 leverage ratio	RCON7273	0 0000	RCON7204	0 0672	31
32 Tier 1 risk-based capital ratio	RCON7274	0 0000	RCON7206	0 1337	32
33 Total risk-based capital ratio	RCON7275	0 0000	RCON7205	0 1460	33

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Totals (from Schedule RC)	(Column B) Items Not Subject to Risk-Weighting	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
	RCON0010	RCONC869	RCONB600	RCONB601		RCONB602	
34 Cash and balances dues from depository institutions	158,958	0	58,383	100,575		0	34
	RCON1754	RCONB603	RCONB604	RCONB605	RCONB606	RCONB607	
35 Held-to-maturity securities	4,188,563	0	114,810	4,060,346	11,907	1,500	35
	RCON1773	RCONB608	RCONB609	RCONB610	RCONB611	RCONB612	
36 Available-for-sale securities	428,553	22,007	48,317	348,144	1,313	8,772	36
37 Federal funds sold and securities purchased under agreements to resell	RCONC225		RCONC063	RCONC064		RCONB520	
	393		0	393		0	37
	RCON5369	RCONB617	RCONB618	RCONB619	RCONB620	RCONB621	
38 Loans and leases held for sale	0	0	0	0	0	0	38
	RCONB528	RCONB622	RCONB623	RCONB624	RCONB625	RCONB626	
39 Loans and leases, net of unearned income	3,485,023	0	0	91,505	1,010,036	2,383,482	39
	RCON3123	RCON3123					
40 Allowance for loan and lease losses	51,584	51,584					40
	RCON3545	RCONB627	RCONB628	RCONB629	RCONB630	RCONB631	
41 Trading Assets	0	0	0	0	0	0	41
	RCONB639	RCONB640	RCONB641	RCONB642	RCONB643	RCON5339	
42 All other assets	1,262,615	949,050	0	24,982	0	288,584	42
	RCON2170	RCONB644	RCON5320	RCON5327	RCON5334	RCON5340	
43 Total Assets	9,472,521	919,473	221,510	4,625,945	1,023,256	2,682,338	43

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
	RCONB546	RCONB547	RCONB548	RCONB581	RCONB582	RCONB583	
44 Financial standby letters of credit	15,182	15,182	0	7,682	0	7,500	44
	RCON3821	RCONB650	RCONB651	RCONB652	RCONB653	RCONB654	
45 Performance standby letters of credit	0	0	0	0	0	0	45
	RCON3411	RCONB655	RCONB656	RCONB657	RCONB658	RCONB659	
46 Commercial and similar letters of credit	0	0	0	0	0	0	46

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
47 Risk participations in bankers acceptances acquired by the reporting institution	RCON3429 0	RCONB660 0	RCONB661 0	RCONB662 0		RCONB663 0	47
48 Securities lent	RCON3433 0	RCONB664 0	RCONB665 0	RCONB666 0	RCONB667 0	RCONB668 0	48
49 Retained recourse on small business obligations sold with recourse	RCONA250 0	RCONB669 0	RCONB670 0	RCONB671 0	RCONB672 0	RCONB673 0	49
50 Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low-level exposure rule and residual interests subject to a dollar-for-dollar capital requirement	RCONB541 0	RCONB542 0				RCONB543 0	50
51 All other financial assets sold with recourse	RCONB675 0	RCONB676 0	RCONB677 0	RCONB678 0	RCONB679 0	RCONB680 0	51
52 All other off-balance sheet liabilities	RCONB681 0	RCONB682 0	RCONB683 0	RCONB684 0	RCONB685 0	RCONB686 0	52
53 Unused commitments							53
a With an original maturity exceeding one year	RCON3833 154,063	RCONB687 77,032	RCONB688 0	RCONB689 0	RCONB690 0	RCONB691 77,031	53 a
b With an original maturity of one year or less to asset-backed commercial paper conduits	RCONG591 0	RCONG592 0	RCONG593 0	RCONG594 0	RCONG595 0	RCONG596 0	53 b
54 Derivative contracts		RCONA167 0	RCONB693 0	RCONB694 0	RCONB695 0		54
55 Total assets, derivatives, and off-balance sheet items by risk weight category			RCONB696 221,510	RCONB697 4,633,627	RCONB698 1,023,256	RCONB699 2,766,869	55
56 Risk weight factor							56
57 Risk-weighted assets by risk weight category			RCONB700 0	RCONB701 926,725	RCONB702 511,628	RCONB703 2,766,869	57
58 Market risk equivalent assets						RCON1651 0	58
59 Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve						RCONB704 4,205,222	59
60 Excess allowance for loan and lease losses						RCONA222 0	60
61 Allocated transfer risk reserve						RCON3128 0	61

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
						RCONA223	
62 Total risk-weighted assets						4,205,222	62

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands			
1 Current credit exposure across all derivative contracts covered by the risk-based capital standards	RCON8764	0	M 1

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) With a remaining maturity of one year or less	(Column B) With a remaining maturity of over one year through five years	(Column C) With a remaining maturity of over five years	
2 Notional principal amounts of derivative contracts				M 2
	RCON3809	RCON8766	RCON8767	
a Interest rate contracts	0	0	0	M 2 a
	RCON3812	RCON8769	RCON8770	
b Foreign exchange contracts	0	0	0	M 2 b
	RCON8771	RCON8772	RCON8773	
c Gold contracts	0	0	0	M 2 c
	RCON8774	RCON8775	RCON8776	
d Other precious metals contracts	0	0	0	M 2 d
	RCON8777	RCON8778	RCON8779	
e Other commodity contracts	0	0	0	M 2 e
	RCONA000	RCONA001	RCONA002	
f Equity derivative contracts	0	0	0	M 2 f
g Credit derivative contracts Purchased credit protection that (a) is a covered position under the market risk rule or (b) is not a covered position under the market risk rule and is not recognized as a guarantee for risk-based capital purposes				M 2 g
	RCONG597	RCONG598	RCONG599	
1 Investment grade	0	0	0	M 2 g 1
	RCONG600	RCONG601	RCONG602	
2 Subinvestment grade	0	0	0	M 2 g 2

Schedule RC-S - Servicing Securitization and Asset Sale Activities

Dollar amounts in thousands	(Column A) 1-4 Family Residential Loans	(Column B) Home Equity Lines	(Column C) Credit Card Receivables	(Column D) Auto Loans	(Column E) Other Consumer Loans	(Column F) Commercial and Industrial Loans	(Column G) All Other Loans, All Leases, and All Other Assets	
1 Outstanding principal balance of assets sold and securitized by the reporting bank with servicing retained or with recourse or other seller-provided credit enhancements	RCONB705	RCONB706	RCONB707	RCONB708	RCONB709	RCONB710	RCONB711	
	0	0	0	0	0	0	0	1
2 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to structures reported in item 1 in the form of								2
a Credit-enhancing interest-only strips (included in Schedules RC-B or RC-F or in Schedule RC, item 5)	RCONB712	RCONB713	RCONB714	RCONB715	RCONB716	RCONB717	RCONB718	
	0	0	0	0	0	0	0	2 a
b Subordinated securities and other residual interests	RCONC393	RCONC394	RCONC395	RCONC396	RCONC397	RCONC398	RCONC399	
	0	0	0	0	0	0	0	2 b
c Standby letters of credit and other enhancements	RCONC400	RCONC401	RCONC402	RCONC403	RCONC404	RCONC405	RCONC406	
	0	0	0	0	0	0	0	2 c
3 Reporting bank's unused commitments to provide liquidity to structures reported in item 1	RCONB726	RCONB727	RCONB728	RCONB729	RCONB730	RCONB731	RCONB732	
	0	0	0	0	0	0	0	3
4 Past due loan amounts included in item 1								4
a 30-89 days past due	RCONB733	RCONB734	RCONB735	RCONB736	RCONB737	RCONB738	RCONB739	
	0	0	0	0	0	0	0	4 a
b 90 days or more past due	RCONB740	RCONB741	RCONB742	RCONB743	RCONB744	RCONB745	RCONB746	
	0	0	0	0	0	0	0	4 b
5 Charge-offs and recoveries on assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements (calendar year-to-date)								5
a Charge-offs	RIADB747	RIADB748	RIADB749	RIADB750	RIADB751	RIADB752	RIADB753	
	0	0	0	0	0	0	0	5 a
b Recoveries	RIADB754	RIADB755	RIADB756	RIADB757	RIADB758	RIADB759	RIADB760	
	0	0	0	0	0	0	0	5 b
6 Amount of ownership (or seller's) interests carried as								6
a Securities (included in Schedule RC-B or in Schedule RC, item 5)		RCONB761	RCONB762			RCONB763		
		0	0			0		6 a

Dollar amounts in thousands	(Column A) 1-4 Family Residential Loans	(Column B) Home Equity Lines	(Column C) Credit Card Receivables	(Column D) Auto Loans	(Column E) Other Consumer Loans	(Column F) Commercial and Industrial Loans	(Column G) All Other Loans, All Leases, and All Other Assets	
b Loans (included in Schedule RC-C)		RCONB500 0	RCONB501 0			RCONB502 0		6 b
7 Past due loan amounts included in interests reported in item 6 a								7
a 30-89 days past due		RCONB764 0	RCONB765 0			RCONB766 0		7 a
b 90 days or more past due		RCONB767 0	RCONB768 0			RCONB769 0		7 b
8 Charge-offs and recoveries on loan amounts included in interests reported in item 6 a (calendar year-to-date)								8
a Charge-offs		RIADB770 0	RIADB771 0			RIADB772 0		8 a
b Recoveries		RIADB773 0	RIADB774 0			RIADB775 0		8 b
9 Maximum amount of credit exposure arising from credit enhancements provided by the reporting bank to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements	RCONB776 0	RCONB777 0	RCONB778 0	RCONB779 0	RCONB780 0	RCONB781 0	RCONB782 0	9
10 Reporting bank's unused commitments to provide liquidity to other institutions' securitization structures	RCONB783 0	RCONB784 0	RCONB785 0	RCONB786 0	RCONB787 0	RCONB788 0	RCONB789 0	10
11 Assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting bank	RCONB790 0	RCONB791 0	RCONB792 0	RCONB793 0	RCONB794 0	RCONB795 0	RCONB796 0	11
12 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11	RCONB797 0	RCONB798 0	RCONB799 0	RCONB800 0	RCONB801 0	RCONB802 0	RCONB803 0	12

Schedule RC-S - Servicing Securitization and Asset Sale Activities

Dollar amounts in thousands			
1 Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994			M 1
a Outstanding principal balance	RCONA249	0	M 1 a
b Amount of retained recourse on these obligations as of the report date	RCONA250	0	M 1 b
2 Outstanding principal balance of assets serviced for others (includes participations serviced for others)			M 2
a Closed-end 1-4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements	RCONB804	0	M 2 a
b Closed-end 1-4 family residential mortgages serviced with no recourse or other servicer-provided credit enhancements	RCONB805	0	M 2 b
c Other financial assets (includes home equity lines)	RCONA591	0	M 2 c
d 1-4 family residential mortgages serviced for others that are in process of foreclosure at quarter-end (includes closed-end and open-end loans)	RCONF699	0	M 2 d
3 Asset-backed commercial paper conduits			M 3
a Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby letters of credit, subordinated securities, and other enhancements			M 3 a
1 Conduits sponsored by the bank, a bank affiliate, or the bank's holding company	RCONB806	0	M 3 a 1
2 Conduits sponsored by other unrelated institutions	RCONB807	0	M 3 a 2
b Unused commitments to provide liquidity to conduit structures			M 3 b
1 Conduits sponsored by the bank, a bank affiliate, or the bank's holding company	RCONB808	0	M 3.b 1
2 Conduits sponsored by other unrelated institutions	RCONB809	0	M 3 b 2
4 Outstanding credit card fees and finance charges included in Schedule RC-S, item 1, column C	RCONC407	NR	M 4

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands			
1 Does the institution have fiduciary powers? (If "NO," do not complete Schedule RC-T)	RCONA345	Yes	1
2 Does the institution exercise the fiduciary powers it has been granted?	RCONA346	No	2
3 Does the institution have any fiduciary or related activity (in the form of assets or accounts) to report in this schedule? (If "NO," do not complete the rest of Schedule RC-T)	RCONB867	No	3

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Managed Assets	(Column B) Non-Managed Assets	(Column C) Number of Managed Accounts	(Column D) Number of Non-Managed Accounts	
	RCONB868	RCONB869	RCONB870	RCONB871	
4 Personal trust and agency accounts	NR	NR	NR	NR	4
5 Employee benefit and retirement-related trust and agency accounts					5
	RCONB872	RCONB873	RCONB874	RCONB875	
a Employee benefit - defined contribution	NR	NR	NR	NR	5 a
	RCONB876	RCONB877	RCONB878	RCONB879	
b Employee benefit - defined benefit	NR	NR	NR	NR	5 b
	RCONB880	RCONB881	RCONB882	RCONB883	
c Other employee benefit and retirement-related accounts	NR	NR	NR	NR	5 c
	RCONB884	RCONB885	RCONC001	RCONC002	
6 Corporate trust and agency accounts	NR	NR	NR	NR	6
	RCONB886	RCONJ253	RCONB888	RCONJ254	
7 Investment management and investment advisory agency accounts	NR	NR	NR	NR	7
	RCONJ255	RCONJ256	RCONJ257	RCONJ258	
8 Foundation and endowment trust and agency accounts	NR	NR	NR	NR	8
	RCONB890	RCONB891	RCONB892	RCONB893	
9 Other fiduciary accounts	NR	NR	NR	NR	9
	RCONB894	RCONB895	RCONB896	RCONB897	
10 Total fiduciary accounts (sum of items 4 through 9)	NR	NR	NR	NR	10
		RCONB898		RCONB899	
11 Custody and safekeeping accounts		NR		NR	11
12 Not applicable					12
	RCONJ259	RCONJ260	RCONJ261	RCONJ262	
13 Individual Retirement Accounts, Health Savings Accounts, and other similar accounts (included in items 5 c and 11)	NR	NR	NR	NR	13

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands			
14 Personal trust and agency accounts	RIADB904	NR	14
15 Employee benefit and retirement-related trust and agency accounts			15
a Employee benefit - defined contribution	RIADB905	NR	15 a
b Employee benefit - defined benefit	RIADB906	NR	15 b
c Other employee benefit and retirement-related accounts	RIADB907	NR	15 c
16 Corporate trust and agency accounts	RIADA479	NR	16
17 Investment management and investment advisory agency accounts	RIADJ315	NR	17
18 Foundation and endowment trust and agency accounts	RIADJ316	NR	18
19 Other fiduciary accounts	RIADA480	NR	19
20 Custody and safekeeping accounts	RIADB909	NR	20
21 Other fiduciary and related services income	RIADB910	NR	21
22 Total gross fiduciary and related services income (sum of items 14 through 21) (must equal Schedule RI, item 5 a)	RIAD4070	0	22
23 Less Expenses	RIADC058	NR	23
24 Less Net losses from fiduciary and related services	RIADA488	NR	24
25 Plus Intracompany income credits for fiduciary and related services	RIADB911	NR	25
26 Net fiduciary and related services income	RIADA491	NR	26

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Personal Trust and Agency and Investment Management Agency Accounts	(Column B) Employee Benefit and Retirement-Related Trust and Agency Accounts	(Column C) All Other Accounts	
1 Managed assets held in fiduciary accounts				M 1
	RCONJ263	RCONJ264	RCONJ265	
a Noninterest-bearing deposits	NR	NR	NR	M 1 a
	RCONJ266	RCONJ267	RCONJ268	
b Interest-bearing deposits	NR	NR	NR	M 1 b
	RCONJ269	RCONJ270	RCONJ271	
c U S Treasury and U S Government agency obligations	NR	NR	NR	M 1 c
	RCONJ272	RCONJ273	RCONJ274	
d State, county, and municipal obligations	NR	NR	NR	M 1 d
	RCONJ275	RCONJ276	RCONJ277	
e Money market mutual funds	NR	NR	NR	M 1 e
	RCONJ278	RCONJ279	RCONJ280	
f Equity mutual funds	NR	NR	NR	M 1 f
	RCONJ281	RCONJ282	RCONJ283	
g Other mutual funds	NR	NR	NR	M 1 g
	RCONJ284	RCONJ285	RCONJ286	
h Common trust funds and collective investment funds	NR	NR	NR	M 1 h
	RCONJ287	RCONJ288	RCONJ289	
i Other short-term obligations	NR	NR	NR	M 1 i
	RCONJ290	RCONJ291	RCONJ292	
j Other notes and bonds	NR	NR	NR	M 1 j

Dollar amounts in thousands	(Column A) Personal Trust and Agency and Investment Management Agency Accounts	(Column B) Employee Benefit and Retirement-Related Trust and Agency Accounts	(Column C) All Other Accounts	
k Investments in unregistered funds and private equity investments	RCONJ293 NR	RCONJ294 NR	RCONJ295 NR	M 1 k
l Other common and preferred stocks	RCONJ296 NR	RCONJ297 NR	RCONJ298 NR	M 1 l
m Real estate mortgages	RCONJ299 NR	RCONJ300 NR	RCONJ301 NR	M 1 m
n Real estate	RCONJ302 NR	RCONJ303 NR	RCONJ304 NR	M 1 n
o Miscellaneous assets	RCONJ305 NR	RCONJ306 NR	RCONJ307 NR	M 1 o
p Total managed assets held in fiduciary accounts (for each column, sum of Memorandum items 1 a through 1 o)	RCONJ308 NR	RCONJ309 NR	RCONJ310 NR	M 1 p

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Managed Assets		(Column B) Number of Managed Accounts		
q Investments of managed fiduciary accounts in advised or sponsored mutual funds	RCONJ311	NR	RCONJ312	NR	M 1 q

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Number of Issues		(Column B) Principal Amount Outstanding		
2 Corporate trust and agency accounts					M 2
a Corporate and municipal trusteeships	RCONB927	NR	RCONB928	NR	M 2 a
1 Issues reported in Memorandum item 2 a that are in default	RCONJ313	NR	RCONJ314	NR	M2a1
b Transfer agent, registrar, paying agent, and other corporate agency	RCONB929	NR			M 2 b

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Number of Funds		(Column B) Market Value of Fund Assets		
3 Collective investment funds and common trust funds					M 3
a Domestic equity	RCONB931	NR	RCONB932	NR	M 3 a
b International/Global equity	RCONB933	NR	RCONB934	NR	M 3 b
c Stock/Bond blend	RCONB935	NR	RCONB936	NR	M 3 c
d Taxable bond	RCONB937	NR	RCONB938	NR	M 3 d
e Municipal bond	RCONB939	NR	RCONB940	NR	M 3 e
f Short term investments/Money market	RCONB941	NR	RCONB942	NR	M 3 f
g Specialty/Other	RCONB943	NR	RCONB944	NR	M 3 g
h Total collective investment funds (sum of Memorandum items 3 a through 3 g)	RCONB945	NR	RCONB946	NR	M 3 h

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Gross Losses Managed Accounts	(Column B) Gross Losses Non-Managed Accounts	(Column C) Recoveries	
4 Fiduciary settlements, surcharges, and other losses				M 4
	RIADB947	RIADB948	RIADB949	
a Personal trust and agency accounts	NR	NR	NR	M 4 a
b Employee benefit and retirement-related trust and agency accounts	RIADB950	RIADB951	RIADB952	
	NR	NR	NR	M 4 b
	RIADB953	RIADB954	RIADB955	
c Investment management agency accounts	NR	NR	NR	M 4 c
	RIADB956	RIADB957	RIADB958	
d Other fiduciary accounts and related services	NR	NR	NR	M 4 d
e Total fiduciary settlements, surcharges, and other losses (sum of Memorandum items 4 a through 4 d) (sum of columns A and B minus column C must equal Schedule RC-T, item 24)	RIADB959	RIADB960	RIADB961	
	NR	NR	NR	M 4 e

General Instructions

Dollar amounts in thousands			
1 Who Must Report on What Forms			1
a Close of Business			1 a
b Frequency of Reporting			1 b
c Differences in Detail of Reports			1 c
d Shifts in Reporting Status			1 d
2 Organization of the Instruction Books			2
3 Preparation of the Reports			3
4 Signatures			4
a Officer Declaration			4 a
b Director Attestation			4 b
5 Submission of the Reports			5
a Submission Date			5 a
b Amended Reports			5 b
6 Retention of Reports			6
7 Scope of the "Consolidated Bank" Required to be Reported in the Submitted Reports			7
a Exclusions from the Coverage of the Consolidated Report			7 a
8 Rules of Consolidation			8
9 Reporting by Type of Office (For banks with foreign offices)			9
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12 Applicability of Generally Accepted Accounting Principles to Regulatory Reporting Requirements			12
13 Accrual Basis Reporting			13
14 Miscellaneous General Instructions			14
a Rounding			14 a
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c Verification			14 c
d Transactions Occurring Near the End of a Reporting Period			14 d
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Dollar amounts in thousands

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5 Accounting Estimates, Changes in			5
6 Accounting Principles, Changes in			6
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8 Acquisition, Development, or Construction (ADC) Arrangements			8
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Prosperity Bank
Reference 2.5 – C
Call Report 9-30-2010

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

Federal Financial Institutions Examination Council

1

Consolidated Reports of Condition and Income for A Bank With Domestic Offices Only - FFIEC 041

Institution Name	**PROSPERITY BANK**
City	**EL CAMPO**
State	**TX**
Zip Code	**77437**
Call Report Quarter End Date	**9/30/2010**
Report Type	**041**
RSSD-ID	**664756**
FDIC Certificate Number	**16835**
OCC Charter Number	**0**
ABA Routing Number	**113122655**
Last updated on	**2/3/2011**

Bank Demographic Information

Dollar amounts in thousands

1 Reporting date	RCON9999	20100930	1
2 FDIC certificate number	RSSD9050	16835	2
3 Legal title of bank	RSSD9017	Prosperity Bank	3
4 City	RSSD9130	El Campo	4
5 State abbreviation	RSSD9200	TX	5
6 Zip code	RSSD9220	77437	6

Contact Information

Dollar amounts in thousands

1 Contact Information for the Reports of Condition and Income			1
a Chief Financial Officer (or Equivalent) Signing the Reports			1 a
1 Name	TEXTC490	CONF	1 a 1
2 Title	TEXTC491	CONF	1 a 2
3 E-mail Address	TEXTC492	CONF	1 a 3
4 Telephone	TEXTC493	CONF	1 a 4
5 FAX	TEXTC494	CONF	1 a 5
b Other Person to Whom Questions about the Reports Should be Directed			1 b
1 Name	TEXTC495	CONF	1 b 1
2 Title	TEXTC496	CONF	1 b 2
3 E-mail Address	TEXT4086	CONF	1 b 3
4 Telephone	TEXT8902	CONF	1 b 4
5 FAX	TEXT9116	CONF	1 b 5
2 Person to whom questions about Schedule RC-T - Fiduciary and Related Services should be directed			2
a Name and Title	TEXTB962	CONF	2 a
b E-mail Address	TEXTB926	CONF	2 b
c Telephone	TEXTB963	CONF	2 c
d FAX	TEXTB964	CONF	2 d
3 Emergency Contact Information			3
a Primary Contact			3 a
1 Name	TEXTC366	CONF	3 a 1
2 Title	TEXTC367	CONF	3 a 2
3 E-mail Address	TEXTC368	CONF	3 a 3
4 Telephone	TEXTC369	CONF	3 a 4
5 FAX	TEXTC370	CONF	3 a 5
b Secondary Contact			3 b
1 Name	TEXTC371	CONF	3 b 1
2 Title	TEXTC372	CONF	3 b 2
3 E-mail Address	TEXTC373	CONF	3 b 3
4 Telephone	TEXTC374	CONF	3 b 4
5 FAX	TEXTC375	CONF	3 b 5
4 USA PATRIOT Act Section 314(a) Anti-Money Laundering Contact Information			4
a Primary Contact			4 a
1 Name	TEXTC437	CONF	4 a 1
2 Title	TEXTC438	CONF	4 a 2
3 E-mail Address	TEXTC439	CONF	4 a 3
4 Telephone	TEXTC440	CONF	4 a 4
b Secondary Contact			4 b

Dollar amounts in thousands			
1 Name	TEXTC442	CONF	4 b 1
2 Title	TEXTC443	CONF	4 b 2
3 E-mail Address	TEXTC444	CONF	4 b 3
4 Telephone	TEXTC445	CONF	4 b 4
c Third Contact			4 c
1 Name	TEXTC870	CONF	4 c 1
2 Title	TEXTC871	CONF	4 c 2
3 E-mail Address	TEXTC872	CONF	4 c 3
4 Telephone	TEXTC873	CONF	4 c 4
d Fourth Contact			4 d
1 Name	TEXTC875	CONF	4 d 1
2 Title	TEXTC876	CONF	4 d 2
3 E-mail Address	TEXTC877	CONF	4 d 3
4 Telephone	TEXTC878	CONF	4 d 4

Optional Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income

Dollar amounts in thousands			
1 Comments?	RCON6979	No	1
2 Bank Management Statement	TEXT6980	NR	2

Schedule RI - Income Statement

Dollar amounts in thousands			
1 Interest income			1
a Interest and fee income on loans			1 a
1 Loans secured by real estate			1 a 1
a Loans secured by 1-4 family residential properties	RIAD4435	39,278	1 a 1 a
b All other loans secured by real estate	RIAD4436	91,951	1 a 1 b
2 Commercial and industrial loans	RIAD4012	16,700	1 a 2
3 Loans to individuals for household, family, and other personal expenditures			1 a 3
a Credit cards	RIADB485	0	1 a 3 a
b Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RIADB486	5,270	1 a 3 b
4 Loans to foreign governments and official institutions	RIAD4056	0	1 a 4
5 All other loans	RIAD4058	3,773	1 a 5
6 Total interest and fee income on loans	RIAD4010	156,972	1 a 6
b Income from lease financing receivables	RIAD4065	17	1 b
c Interest income on balances due from depository institutions	RIAD4115	109	1 c
d Interest and dividend income on securities			1 d
1 U S Treasury securities and U S Government agency obligations (excluding mortgage-backed securities)	RIADB488	1,104	1 d 1
2 Mortgage-backed securities	RIADB489	130,603	1 d 2
3 All other securities (includes securities issued by states and political subdivisions in the U S)	RIAD4060	3,292	1 d 3
e Interest income from trading assets	RIAD4069	0	1 e
f Interest income on federal funds sold and securities purchased under agreements to resell	RIAD4020	4	1 f
g Other interest income	RIAD4518	122	1 g
h Total interest income	RIAD4107	292,223	1 h

Dollar amounts in thousands			
2 Interest expense			2
a Interest on deposits			2 a
1 Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	RIAD4508	1,268	2 a 1
2 Nontransaction accounts			2 a 2
a Savings deposits (includes MMDAs)	RIAD0093	17,924	2 a 2 a
b. Time deposits of $100,000 or more	RIADA517	15,942	2 a 2 b
c Time deposits of less than $100,000	RIADA518	15,703	2 a 2 c
b Expense of federal funds purchased and securities sold under agreements to repurchase	RIAD4180	486	2 b
c Interest on trading liabilities and other borrowed money	RIAD4185	768	2 c
d Interest on subordinated notes and debentures	RIAD4200	0	2 d
e Total interest expense	RIAD4073	52,091	2 e
3 Net interest income	RIAD4074	240,132	3
4 Provision for loan and lease losses	RIAD4230	10,685	4
5 Noninterest income			5
a Income from fiduciary activities	RIAD4070	0	5 a
b Service charges on deposit accounts	RIAD4080	26,874	5 b
c. Trading revenue.	RIADA220	0	5 c
d Not available			5 d
1 Fees and commissions from securities brokerage	RIADC886	568	5 d 1
2 Investment banking, advisory, and underwriting fees and commissions	RIADC888	0	5 d 2
3 Fees and commissions from annuity sales	RIADC887	0	5 d 3
4 Underwriting income from insurance and reinsurance activities	RIADC386	0	5 d 4
5 Income from other insurance activities	RIADC387	0	5 d 5
e Venture capital revenue	RIADB491	0	5 e
f Net servicing fees	RIADB492	0	5 f
g Net securitization income	RIADB493	0	5 g
h Not applicable			5 h
i Net gains (losses) on sales of loans and leases	RIAD5416	0	5 i
j Net gains (losses) on sales of other real estate owned	RIAD5415	-3,347	5 j
k Net gains (losses) on sales of other assets (excluding securities)	RIADB496	400	5 k
l Other noninterest income	RIADB497	15,712	5 l
m Total noninterest income	RIAD4079	40,207	5 m
6 Not available			6
a Realized gains (losses) on held-to-maturity securities	RIAD3521	0	6 a
b Realized gains (losses) on available-for-sale securities	RIAD3196	0	6 b
7 Noninterest expense			7
a Salaries and employee benefits	RIAD4135	63,347	7 a
b Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	RIAD4217	19,762	7 b
c Not available			7 c
1 Goodwill impairment losses	RIADC216	0	7 c 1
2 Amortization expense and impairment losses for other intangible assets	RIADC232	6,844	7 c 2
d Other noninterest expense	RIAD4092	32,340	7 d
e Total noninterest expense	RIAD4093	122,293	7 e
8 Income (loss) before income taxes and extraordinary items and other adjustments	RIAD4301	147,361	8
9 Applicable income taxes (on item 8)	RIAD4302	49,239	9
10 Income (loss) before extraordinary items and other adjustments	RIAD4300	98,122	10
11 Extraordinary items and other adjustments, net of income taxes	RIAD4320	0	11

Dollar amounts in thousands			
12 Net income (loss) attributable to bank and noncontrolling (minority) interests (sum of items 10 and 11)	RIADG104	98,122	12
13 LESS Net income (loss) attributable to noncontrolling (minority) interests (if net income, report as a positive value, if net loss, report as a negative value)	RIADG103	0	13
14. Net income (loss) attributable to bank (item 12 minus item 13)	RIAD4340	98,122	14
1 Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes	RIAD4513	649	M 1
2 Income from the sale and servicing of mutual funds and annuities (included in Schedule RI, item 8)	RIAD8431	441	M.2.
3 Income on tax-exempt loans and leases to states and political subdivisions in the U S (included in Schedule RI, items 1 a and 1 b)	RIAD4313	1,417	M 3
4 Income on tax-exempt securities issued by states and political subdivisions in the U S (included in Schedule RI, item 1 d (3))	RIAD4507	2,613	M 4
5 Number of full-time equivalent employees at end of current period	RIAD4150	1719	M 5
6 Interest and fee income on loans to finance agricultural production and other loans to farmers (included in Schedule RI, item 1 a (5))	RIAD4024	2,186	M 6
7 If the reporting bank has restated its balance sheet as a result of applying push down accounting this calendar year, report the date of the bank's acquisition	RIAD9106	0	M 7
8 Trading revenue (from cash instruments and derivative instruments)			M 8
a Interest rate exposures	RIAD8757	NR	M 8 a
b Foreign exchange exposures	RIAD8758	NR	M 8 b
c Equity security and index exposures	RIAD8759	NR	M 8 c
d Commodity and other exposures	RIAD8760	NR	M 8 d
e Credit exposures	RIADF186	NR	M 8 e
9 Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account			M 9
a Net gains (losses) on credit derivatives held for trading	RIADC889	0	M 9 a
b Net gains (losses) on credit derivatives held for purposes other than trading	RIADC890	0	M 9 b
10 Credit losses on derivatives	RIADA251	0	M 10
11 Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?	RIADA530	No	M 11
12 Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (included in Schedule RI, item 1 a (1)(a))	RIADF228	NR	M 12
13 Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option			M 13
a Net gains (losses) on assets	RIADF551	NR	M 13 a
1 Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk	RIADF552	NR	M.13.a.1
b Net gains (losses) on liabilities	RIADF553	NR	M 13 b
1 Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk	RIADF554	NR	M.13.b.1
14 Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities			M 14
a Total other-than-temporary impairment losses	RIADJ319	0	M 14 a
b Portion of losses recognized in other comprehensive income (before income taxes)	RIADJ320	0	M 14 b
c Net impairment losses recognized in earnings (included in Schedule RI, items 6 a and 6 b) (Memorandum item 14 a minus Memorandum item 14 b)	RIADJ321	0	M 14 c

Schedule RI-A - Changes in Bank Equity Capital

Dollar amounts in thousands			
1 Total bank equity capital most recently reported for the December 31, 2009, Reports of Condition and Income (i e , after adjustments from amended Reports of Income)	RIAD3217	1,423,451	1

Dollar amounts in thousands			
2 Cumulative effect of changes in accounting principles and corrections of material accounting errors	RIADB507	0	2
3 Balance end of previous calendar year as restated	RIADB508	1,423,451	3
4 Net income (loss) attributable to bank (must equal Schedule RI, item 14)	RIAD4340	98,122	4
5 Sale, conversion, acquisition, or retirement of capital stock, net (excluding treasury stock transactions)	RIADB509	0	5
6 Treasury stock transactions, net	RIADB510	0	6
7 Changes incident to business combinations, net	RIAD4356	0	7
8 Cash dividends declared on preferred stock	RIAD4470	0	8
9 Cash dividends declared on common stock	RIAD4460	18,400	9
10 Other comprehensive income	RIADB511	659	10
11 Other transactions with parent holding company (not included in items 5, 6, 8, or 9 above)	RIAD4415	0	11
12 Total bank equity capital end of current period (sum of items 3 through 11) (must equal Schedule RC, item 27 a)	RIAD3210	1,503,832	12

Schedule RI-B Part I - Charge-offs and Recoveries on Loans and Leases

Dollar amounts in thousands	(Column A) Charge-offs Calendar year-to-date		(Column B) Recoveries Calendar year-to-date		
1 Loans secured by real estate					1
a Construction, land development, and other land loans					1 a
1 1-4 family residential construction loans	RIADC891	1,120	RIADC892	62	1 a 1
2 Other construction loans and all land development and other land loans	RIADC893	3,002	RIADC894	13	1 a 2
b Secured by farmland	RIAD3584	14	RIAD3585	0	1 b
c Secured by 1-4 family residential properties					1 c
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RIAD5411	0	RIAD5412	0	1 c 1
2 Closed-end loans secured by 1-4 family residential properties					1 c 2
a Secured by first liens	RIADC234	1,170	RIADC217	9	1.c2a.
b Secured by junior liens	RIADC235	415	RIADC218	36	1.c2b.
d Secured by multifamily (5 or more) residential properties	RIAD3588	2,660	RIAD3589	33	1 d
e Secured by nonfarm nonresidential properties					1 e
1 Loans secured by owner-occupied nonfarm nonresidential properties	RIADC895	218	RIADC896	0	1 e 1
2 Loans secured by other nonfarm nonresidential properties	RIADC897	89	RIADC898	0	1 e 2
2 Loans to depository institutions and acceptances of other banks	RIAD4481	0	RIAD4482	0	2
3 Not applicable					3
4 Commercial and industrial loans	RIAD4638	1,956	RIAD4608	295	4
5 Loans to individuals for household, family, and other personal expenditures					5
a Credit cards	RIADB514	0	RIADB515	0	5 a
b Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RIADB516	1,660	RIADB517	622	5 b
6 Loans to foreign governments and official institutions	RIAD4643	0	RIAD4627	0	6
7 All other loans	RIAD4644	15	RIAD4628	55	7
8 Lease financing receivables	RIAD4266	0	RIAD4267	0	8
9 Total	RIAD4635	12,319	RIAD4605	1,125	9
1 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RI-B, part I, items 4 and 7, above	RIAD5409	0	RIAD5410	0	M 1
2 Not available					M 2

Dollar amounts in thousands	(Column A) Charge-offs Calendar year-to-date		(Column B) Recoveries Calendar year-to-date		
a Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RI-B, part I, item 1, above)	RIAD4652	0	RIAD4662	0	M 2 a
b Loans to and acceptances of foreign banks (included in Schedule RI-B, part I, item 2, above)	RIAD4654	0	RIAD4664	0	M 2 b.
c Commercial and industrial loans to non-U S addressees (domicile) (included in Schedule RI-B, part I, item 4, above)	RIAD4646	0	RIAD4618	0	M 2 c.
d Leases to individuals for household, family, and other personal expenditures (included in Schedule RI-B, part I, item 8, above)	RIADF185	0	RIADF187	0	M 2.d
3 Loans to finance agricultural production and other loans to farmers (included in Schedule RI-B, part I, item 7, above)	RIAD4655	15	RIAD4665	55	M 3

Schedule RI-B Part I - Charge-offs and Recoveries on Loans and Leases

Dollar amounts in thousands			
4 Uncollectible retail credit card fees and finance charges reversed against income (i e , not included in charge-offs against the allowance for loan and lease losses)	RIADC388	NR	M 4

Schedule RI-B Part II - Changes in Allowance for Loan and Lease Losses

Dollar amounts in thousands			
1 Balance most recently reported for the December 31, 2009, Reports of Condition and Income (i e , after adjustments from amended Reports of Income)	RIADB522	51,863	1
2 Recoveries	RIAD4605	1,125	2
3 Charge-offs	RIADC079	12,319	3
4 Write-downs arising from transfers of loans to a held-for-sale account	RIAD5523	0	4
5 Provision for loan and lease losses	RIAD4230	10,685	5
6 Adjustments	RIADC233	0	6
7 Balance end of current period	RIAD3123	51,354	7
1 Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above	RIADC435	0	M 1
2 Separate valuation allowance for uncollectible retail credit card fees and finance charges	RIADC389	NR	M 2
3 Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges	RIADC390	NR	M 3
4 Amount of allowance for post-acquisition losses on purchased impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3) (included in Schedule RI-B, part II, item 7, above)	RIADC781	0	M 4

Schedule RI-E - Explanations

Dollar amounts in thousands			
1 Other noninterest income (from Schedule RI, item 5 l) Itemize and describe amounts greater than $25,000 that exceed 3% of Schedule RI, item 5 l			1
a Income and fees from the printing and sale of checks	RIADC013	1,009	1.a
b Earnings on/increase in value of cash surrender value of life insurance	RIADC014	1,238	1 b
c Income and fees from automated teller machines (ATMs)	RIADC016	3,518	1 c
d Rent and other income from other real estate owned	RIAD4042	0	1 d
e Safe deposit box rent	RIADC015	609	1 e
f Net change in the fair values of financial instruments accounted for under a fair value option	RIADF229	0	1 f
g Bank card and credit card interchange fees	RIADF555	5,803	1 g
h Gains on bargain purchases	RIADJ447	0	1 h
i Disclose component and the dollar amount of that component			1 i
1 Describe component	TEXT4461	NR	1 i 1

Dollar amounts in thousands			
2 Amount of component	RIAD4461	0	1 i 2
j Disclose component and the dollar amount of that component			1 j
1 Describe component	TEXT4462	NR	1 j 1
2 Amount of component	RIAD4462	0	1 j 2
k Disclose component and the dollar amount of that component			1 k
1 Describe component	TEXT4463	NR	1 k 1
2 Amount of component	RIAD4463	0	1 k 2
2 Other noninterest expense (from Schedule RI, item 7 d) Itemize and describe amounts greater than $25,000 that exceed 3% of Schedule RI, item 7 d			2
a Data processing expenses	RIADC017	2,415	2 a
b Advertising and marketing expenses	RIAD0497	1,550	2 b
c Directors' fees	RIAD4136	0	2 c
d Printing, stationery, and supplies	RIADC018	1,460	2 d
e Postage	RIAD8403	1,728	2 e
f Legal fees and expenses	RIAD4141	1,139	2 f
g FDIC deposit insurance assessments	RIAD4146	CONF	2 g
h Accounting and auditing expenses	RIADF556	0	2 h
i Consulting and advisory expenses	RIADF557	0	2 i
j Automated teller machine (ATM) and interchange expenses	RIADF558	2,292	2 j
k Telecommunications expenses	RIADF559	2,657	2 k
l Disclose component and the dollar amount of that component			2 l
1 Describe component	TEXT4464	Courier Expense	2 l 1
2 Amount of component	RIAD4464	1,583	2 l 2
m Disclose component and the dollar amount of that component			2 m
1 Describe component	TEXT4467	NR	2 m 1
2 Amount of component	RIAD4467	0	2 m 2
n Disclose component and the dollar amount of that component			2 n
1 Describe component	TEXT4468	NR	2 n 1
2 Amount of component	RIAD4468	0	2 n 2
3 Extraordinary items and other adjustments and applicable income tax effect (from Schedule RI, item 11)			3
a Disclose component, the gross dollar amount of that component, and its related income tax			3 a
1 Describe component	TEXT4469	NR	3 a 1
2 Amount of component	RIAD4469	0	3 a 2
3 Applicable income tax effect	RIAD4486	0	3 a 3
b Disclose component, the gross dollar amount of that component, and its related income tax			3 b
1 Describe component	TEXT4487	NR	3 b 1
2 Amount of component	RIAD4487	0	3 b 2
3 Applicable income tax effect	RIAD4488	0	3 b 3
c Disclose component, the gross dollar amount of that component, and its related income tax			3 c
1 Describe component	TEXT4489	NR	3 c 1
2 Amount of component	RIAD4489	0	3 c 2
3 Applicable income tax effect	RIAD4491	0	3 c 3
4 Cumulative effect of changes in accounting principles and corrections of material accounting errors (from Schedule RI-A, item 2) (itemize and describe all such effects)			4
a Cumulative effect of the initial application of FASB ASC 810-10 (former FAS 167) related to newly consolidated variable interest entities	RIADJ536	0	4 a
b Disclose component and the dollar amount of that component			4 b
1 Describe component	TEXTB527	NR	4 b 1

Dollar amounts in thousands			
2 Amount of component	RIADB527	0	4 b 2
5 Other transactions with parent holding company (from Schedule RI-A, item 11)			5
a Disclose component and the dollar amount of that component			5 a
1 Describe component	TEXT4498	NR	5 a 1
2 Amount of component	RIAD4498	0	5 a 2
b Disclose component and the dollar amount of that component			5 b
1 Describe component	TEXT4499	NR	5 b 1
2 Amount of component	RIAD4499	0	5 b 2
6 Adjustments to allowance for loan and lease losses (from Schedule RI-B, part II, item 6)			6
a Disclose component and the dollar amount of that component.			6 a
1 Describe component	TEXT4521	NR	6 a 1
2 Amount of component	RIAD4521	0	6 a 2
b Disclose component and the dollar amount of that component			6 b
1 Describe component	TEXT4522	NR	6 b 1
2 Amount of component	RIAD4522	0	6 b 2
7 Other explanations			7
a Comments?	RIAD4769	No	7 a
b Other explanations	TEXT4769	NR	7 b

Schedule RC - Balance Sheet

Dollar amounts in thousands			
1 Cash and balances due from depository institutions (from Schedule RC-A)			1
a Noninterest-bearing balances and currency and coin	RCON0081	133,890	1 a
b Interest-bearing balances	RCON0071	6,766	1 b
2 Securities			2
a Held-to-maturity securities (from Schedule RC-B, column A)	RCON1754	4,002,822	2 a
b Available-for-sale securities (from Schedule RC-B, column D)	RCON1773	469,817	2 b.
3 Federal funds sold and securities purchased under agreements to resell			3
a Federal funds sold	RCONB987	553	3 a
b Securities purchased under agreements to resell	RCONB989	0	3 b
4 Loans and lease financing receivables (from Schedule RC-C)			4
a Loans and leases held for sale	RCON5369	0	4 a
b Loans and leases, net of unearned income	RCONB528	3,413,819	4 b
c LESS Allowance for loan and lease losses	RCON3123	51,354	4 c
d Loans and leases, net of unearned income and allowance (item 4 b minus 4 c)	RCONB529	3,362,465	4 d
5 Trading assets (from Schedule RC-D)	RCON3545	0	5
6 Premises and fixed assets (including capitalized leases)	RCON2145	159,537	6
7 Other real estate owned (from Schedule RC-M)	RCON2150	11,233	7
8 Investments in unconsolidated subsidiaries and associated companies	RCON2130	0	8
9 Direct and indirect investments in real estate ventures	RCON3656	0	9
10 Intangible assets			10
a Goodwill	RCON3163	919,950	10 a
b Other intangible assets (from Schedule RC-M)	RCON0426	30,947	10 b
11 Other assets (from Schedule RC-F)	RCON2160	134,969	11
12 Total assets (sum of items 1 through 11)	RCON2170	9,232,949	12
13 Deposits			13
a In domestic offices (sum of totals of columns A and C from Schedule RC-E)	RCON2200	7,495,590	13 a
1 Noninterest-bearing	RCON6631	1,628,073	13 a 1
2 Interest-bearing	RCON6636	5,867,517	13 a 2
b Not applicable			13 b

Dollar amounts in thousands			
14 Federal funds purchased and securities sold under agreements to repurchase			14
a Federal funds purchased	RCONB993	0	14 a
b Securities sold under agreements to repurchase	RCONB995	96,416	14 b
15 Trading liabilities (from Schedule RC-D)	RCON3548	0	15
16 Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M)	RCON3190	71,686	16
17 Not applicable			17
18 Not applicable			18
19 Subordinated notes and debentures	RCON3200	0	19
20 Other liabilities (from Schedule RC-G)	RCON2930	65,425	20
21 Total liabilities (sum of items 13 through 20)	RCON2948	7,729,117	21
22 Not applicable			22
23 Perpetual preferred stock and related surplus	RCON3838	0	23
24 Common stock	RCON3230	520	24
25 Surplus (exclude all surplus related to preferred stock)	RCON3839	963,359	25
26 Not available			26
a Retained earnings	RCON3632	522,488	26 a
b Accumulated other comprehensive income	RCONB530	17,465	26 b
c Other equity capital components	RCONA130	0	26 c
27 Not available			27
a Total bank equity capital (sum of items 23 through 26 c)	RCON3210	1,503,832	27 a
b Noncontrolling (minority) interests in consolidated subsidiaries	RCON3000	0	27 b
28 Total equity capital (sum of items 27 a and 27 b)	RCONG105	1,503,832	28
29 Total liabilities and equity capital (sum of items 21 and 28)	RCON3300	9,232,949	29
1 Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2009	RCON6724	NR	M 1
2 Bank's fiscal year-end date	RCON8678	NR	M 2

Schedule RC-A - Cash and Balances Due From Depository Institutions

Dollar amounts in thousands			
1 Cash items in process of collection, unposted debits, and currency and coin			1
a Cash items in process of collection and unposted debits	RCON0020	65,630	1 a
b Currency and coin	RCON0080	67,705	1 b.
2 Balances due from depository institutions in the U S			2
a U S branches and agencies of foreign banks	RCON0083	0	2 a
b Other commercial banks in the U S and other depository institutions in the U S	RCON0085	555	2 b
3 Balances due from banks in foreign countries and foreign central banks			3
a Foreign branches of other U S banks	RCON0073	0	3 a
b Other banks in foreign countries and foreign central banks	RCON0074	0	3 b
4 Balances due from Federal Reserve Banks	RCON0090	6,766	4
5 Total	RCON0010	140,656	5

Schedule RC-B - Securities

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
	RCON0211	RCON0213	RCON1286	RCON1287	
1 U S Treasury securities	100	101	0	0	1
2 U S Government agency obligations (exclude mortgage-backed securities)					2
	RCON1289	RCON1290	RCON1291	RCON1293	
a Issued by U S Government agencies	0	0	35	35	2 a
	RCON1294	RCON1295	RCON1297	RCON1298	
b Issued by U S Government-sponsored agencies	13,881	14,850	1,003	1,008	2 b
	RCON8496	RCON8497	RCON8498	RCON8499	
3 Securities issued by states and political subdivisions in the U S	46,638	48,440	48,892	51,618	3
4 Mortgage-backed securities (MBS)					4
a Residential mortgage pass-through securities:					4 a
	RCONG300	RCONG301	RCONG302	RCONG303	
1 Guaranteed by GNMA	123,087	126,270	51,023	53,643	4 a 1
	RCONG304	RCONG305	RCONG306	RCONG307	
2 Issued by FNMA and FHLMC	3,308,388	3,454,655	332,205	353,177	4 a 2
	RCONG308	RCONG309	RCONG310	RCONG311	
3 Other pass-through securities.	0	0	0	0	4 a 3
b Other residential mortgage-backed securities (include CMOs, REMICs, and stripped MBS)					4 b
	RCONG312	RCONG313	RCONG314	RCONG315	
1 Issued or guaranteed by FNMA, FHLMC, or GNMA	499,986	508,005	1,020	999	4 b 1
	RCONG316	RCONG317	RCONG318	RCONG319	
2 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	0	0	0	0	4 b 2
	RCONG320	RCONG321	RCONG322	RCONG323	
3 All other residential MBS	9,242	8,670	0	0	4 b 3
c Commercial MBS					4 c
	RCONG324	RCONG325	RCONG326	RCONG327	
1 Commercial mortgage pass-through securities	0	0	0	0	4 c 1
	RCONG328	RCONG329	RCONG330	RCONG331	
2 Other commercial MBS	0	0	0	0	4 c 2

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
5 Asset-backed securities and structured financial products					5
	RCONC026	RCONC988	RCONC989	RCONC027	
a Asset-backed securities (ABS)	0	0	0	0	5 a
b Structured financial products					5 b.
	RCONG336	RCONG337	RCONG338	RCONG339	
1 Cash	0	0	0	0	5 b 1
	RCONG340	RCONG341	RCONG342	RCONG343	
2 Synthetic	0	0	0	0	5 b 2
	RCONG344	RCONG345	RCONG346	RCONG347	
3 Hybrid	0	0	0	0	5 b 3
6 Other debt securities					6
	RCON1737	RCON1738	RCON1739	RCON1741	
a Other domestic debt securities	1,500	1,695	1,482	1,695	6 a
	RCON1742	RCON1743	RCON1744	RCON1746	
b. Foreign debt securities	0	0	0	0	6 b
			RCONA510	RCONA511	
7 Investments in mutual funds and other equity securities with readily determinable fair values			7,289	7,642	7
	RCON1754	RCON1771	RCON1772	RCON1773	
8 Total	4,002,822	4,162,686	442,949	469,817	8

Schedule RC-B - Securities

Dollar amounts in thousands			
1 Pledged securities	RCON0416	2,499,613	M 1
2 Maturity and repricing data for debt securities (excluding those in nonaccrual status)			M 2
a Securities issued by the U S Treasury, U S Government agencies, and states and political subdivisions in the U S , other non-mortgage debt securities, and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of			M 2 a
1 Three months or less	RCONA549	4,350	M 2 a 1
2 Over three months through 12 months	RCONA550	3,498	M 2 a.2
3 Over one year through three years	RCONA551	24,557	M 2 a 3
4 Over three years through five years	RCONA552	4,582	M 2 a 4
5 Over five years through 15 years	RCONA553	76,335	M 2 a 5
6 Over 15 years	RCONA554	3,153	M 2.a 6
b Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or next repricing date of			M 2 b
1 Three months or less	RCONA555	14,098	M 2 b.1
2 Over three months through 12 months	RCONA556	52,998	M.2 b.2
3 Over one year through three years	RCONA557	37,749	M 2 b 3
4 Over three years through five years	RCONA558	204,832	M 2 b 4
5. Over five years through 15 years	RCONA559	3,298,103	M 2 b 5
6 Over 15 years	RCONA560	230,515	M 2 b 6
c Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS, exclude mortgage pass-through securities) with an expected average life of			M 2 c
1 Three years or less	RCONA561	500,985	M 2 c 1
2 Over three years	RCONA562	9,242	M 2 c 2
d Debt securities with a REMAINING MATURITY of one year or less (included in Memorandum items 2 a through 2 c above)	RCONA248	9,898	M 2 d
3 Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date (report the amortized cost at date of sale or transfer)	RCON1778	0	M 3
4 Structured notes (included in the held-to-maturity and available-for-sale accounts in Schedule RC-B, items 2, 3, 5, and 6)			M 4
a Amortized cost	RCON8782	0	M 4.a
b Fair value	RCON8783	0	M 4 b

Schedule RC-B - Securities

Dollar amounts in thousands	(Column A) Held-to-maturity Amortized Cost	(Column B) Held-to-maturity Fair Value	(Column C) Available-for-sale Amortized Cost	(Column D) Available-for-sale Fair Value	
5 Asset-backed securities (ABS) (for each column, sum of Memorandum items 5 a through 5 f must equal Schedule RC-B, item 5 a)					M 5
a Credit card receivables	RCONB838 0	RCONB839 0	RCONB840 0	RCONB841 0	M 5 a
b Home equity lines	RCONB842 0	RCONB843 0	RCONB844 0	RCONB845 0	M 5 b
c Automobile loans	RCONB846 0	RCONB847 0	RCONB848 0	RCONB849 0	M 5 c.
d Other consumer loans	RCONB850 0	RCONB851 0	RCONB852 0	RCONB853 0	M 5 d
e Commercial and industrial loans	RCONB854 0	RCONB855 0	RCONB856 0	RCONB857 0	M 5 e
f. Other	RCONB858 0	RCONB859 0	RCONB860 0	RCONB861 0	M 5 f
6. Structured financial products by underlying collateral or reference assets (for each column, sum of Memorandum items 6 a through 6 g must equal Schedule RC-B, sum of items 5.b(1) through(3))					M 6
a Trust preferred securities issued by financial institutions	RCONG348 0	RCONG349 0	RCONG350 0	RCONG351 0	M 6 a
b Trust preferred securities issued by real estate investment trusts	RCONG352 0	RCONG353 0	RCONG354 0	RCONG355 0	M 6 b
c Corporate and similar loans	RCONG356 0	RCONG357 0	RCONG358 0	RCONG359 0	M 6 c
d 1-4 family residential MBS issued or guaranteed by U S government-sponsored enterprises (GSEs)	RCONG360 0	RCONG361 0	RCONG362 0	RCONG363 0	M 6 d
e 1-4 family residential MBS not issued or guaranteed by GSEs	RCONG364 0	RCONG365 0	RCONG366 0	RCONG367 0	M 6 e
f Diversified (mixed) pools of structured financial products	RCONG368 0	RCONG369 0	RCONG370 0	RCONG371 0	M 6 f
g Other collateral or reference assets. ..	RCONG372 0	RCONG373 0	RCONG374 0	RCONG375 0	M 6 g

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands	(Column A) To Be Completed by Banks with $300 Million or More in Total Assets		(Column B) To Be Completed by All Banks		
1 Loans secured by real estate					1
a Construction, land development, and other land loans					1 a
1 1-4 family residential construction loans			RCONF158	128,491	1 a 1
2 Other construction loans and all land development and other land loans			RCONF159	369,909	1 a 2
b Secured by farmland (including farm residential and other improvements)			RCON1420	96,212	1 b
c Secured by 1-4 family residential properties					1.c
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit			RCON1797	31,584	1 c 1
2 Closed-end loans secured by 1-4 family residential properties					1 c 2
a Secured by first liens			RCON5367	821,935	1.c.2.a
b Secured by junior liens.			RCON5368	51,186	1.c.2.b
d Secured by multifamily (5 or more) residential properties			RCON1460	83,946	1 d
e Secured by nonfarm nonresidential properties					1 e
1 Loans secured by owner-occupied nonfarm nonresidential properties			RCONF160	706,557	1 e 1
2 Loans secured by other nonfarm nonresidential properties			RCONF161	566,542	1 e 2
2 Loans to depository institutions and acceptances of other banks			RCON1288	0	2
a To commercial banks in the U S					2 a
1 To U S branches and agencies of foreign banks.	RCONB532	0			2 a 1
2 To other commercial banks in the U S	RCONB533	0			2 a 2
b To other depository institutions in the U S	RCONB534	0			2 b.
c To banks in foreign countries					2 c
1. To foreign branches of other U S banks	RCONB536	0			2 c 1
2 To other banks in foreign countries	RCONB537	0			2 c 2
3 Loans to finance agricultural production and other loans to farmers			RCON1590	47,706	3
4 Commercial and industrial loans			RCON1766	338,540	4
a To U S addressees (domicile)	RCON1763	338,423			4 a
b To non-U S addressees (domicile)	RCON1764	117			4 b
5 Not applicable					5
6 Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)					6
a Credit cards			RCONB538	0	6 a
b. Other revolving credit plans			RCONB539	5,278	6 b
c Other consumer loans (includes single payment, installment, and all student loans)			RCON2011	84,934	6 c
7 Loans to foreign governments and official institutions (including foreign central banks)			RCON2081	0	7
8 Obligations (other than securities and leases) of states and political subdivisions in the U S			RCON2107	48,754	8
9 Loans to nondepository financial institutions and other loans					9
a Loans to nondepository financial institutions			RCONJ454	0	9 a
b Other loans			RCONJ464	31,969	9 b
1 Loans for purchasing or carrying securities (secured and unsecured)	RCON1545	7,348			9 b 1
2 All other loans (exclude consumer loans)	RCONJ451	24,621			9 b 2
10 Lease financing receivables (net of unearned income)			RCON2165	276	10

Dollar amounts in thousands	(Column A) To Be Completed by Banks with $300 Million or More in Total Assets		(Column B) To Be Completed by All Banks		
a Leases to individuals for household, family, and other personal expenditures (i e , consumer leases)	RCONF162	276			10 a
b All other leases	RCONF163	0			10 b
11 Any unearned income on loans reflected in items 1-9 above			RCON2123	0	11
12 Total loans and leases, net of unearned income			RCON2122	3,413,819	12

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands			
1 Loans and leases restructured and in compliance with modified terms (included in Schedule RC-C, part I, and not reported as past due or nonaccrual in Schedule RC-N, Memorandum item 1)			M 1
a Loans secured by 1-4 family residential properties .	RCONF576	0	M 1 a
b Other loans and all leases (exclude loans to individuals for household, family, and other personal expenditures)	RCON1616	2,631	M 1 b
2 Maturity and repricing data for loans and leases (excluding those in nonaccrual status)			M 2
a Closed-end loans secured by first liens on 1-4 family residential properties (reported in Schedule RC-C, part I, item 1 c (2)(a), column B, above) with a remaining maturity or next repricing date of			M 2 a
1 Three months or less	RCONA564	21,018	M 2 a 1
2 Over three months through 12 months	RCONA565	50,917	M 2 a.2
3 Over one year through three years	RCONA566	82,208	M 2 a 3
4 Over three years through five years	RCONA567	134,807	M.2 a 4
5 Over five years through 15 years	RCONA568	499,292	M 2.a 5
6 Over 15 years	RCONA569	32,614	M.2 a 6
b All loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column B, above) EXCLUDING closed-end loans secured by first liens on 1-4 family residential properties (reported in Schedule RC-C, part I, item 1 c (2)(a), column B, above) with a remaining maturity or next repricing date of			M 2 b
1 Three months or less .	RCONA570	319,974	M.2 b 1
2 Over three months through 12 months	RCONA571	417,260	M 2 b.2
3 Over one year through three years	RCONA572	585,778	M 2 b 3
4 Over three years through five years	RCONA573	452,361	M 2 b 4
5 Over five years through 15 years	RCONA574	582,923	M 2 b 5
6 Over 15 years	RCONA575	227,137	M 2 b.6
c Loans and leases (reported in Schedule RC-C, part I, items 1 through 10, column B, above) with a REMAINING MATURITY of one year or less (excluding those in nonaccrual status)	RCONA247	429,254	M 2 c
3 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, part I, items 4 and 9, column B	RCON2746	33,633	M 3
4 Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties (included in Schedule RC-C, part I, item 1 c (2)(a), column B)	RCON5370	272,803	M 4
5 Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RC-C, part I, items 1 a through 1 e, column B)	RCONB837	6,380	M 5
6 Outstanding credit card fees and finance charges included in Schedule RC-C, part I, item 6 a	RCONC391	NR	M 6
7 Purchased impaired loans held for investment accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3) (exclude loans held for sale)			M 7
a Outstanding balance	RCONC779	0	M 7 a
b Carrying amount included in Schedule RC-C, part I, items 1 through 9	RCONC780	0	M 7 b

Dollar amounts in thousands			
8 Closed-end loans with negative amortization features secured by 1-4 family residential properties			M 8
a Total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, part I, items 1 c (2)(a) and 1 c (2)(b))	RCONF230	0	M 8 a
b Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties	RCONF231	NR	M 8 b
c Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the carrying amount reported in Memorandum item 8 a above	RCONF232	NR	M 8 c
9 Loans secured by 1-4 family residential properties in process of foreclosure (included in Schedule RC-C, part I, items 1 c (1), 1 c (2)(a), and 1 c (2)(b))	RCONF577	2,248	M 9
10 Loans measured at fair value (included in Schedule RC-C, part I, items 1 through 9)			M 10
a Loans secured by real estate			M 10 a
1 Construction, land development, and other land loans	RCONF578	NR	M.10.a.1
2 Secured by farmland (including farm residential and other improvements)	RCONF579	NR	M.10.a.2
3 Secured by 1-4 family residential properties			M.10.a.3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF580	NR	M.10.a.3.a
b Closed-end loans secured by 1-4 family residential properties			M.10.a.3.b
1 Secured by first liens	RCONF581	NR	M.10.a.3.b.1
2 Secured by junior liens	RCONF582	NR	M.10.a.3.b.2
4 Secured by multifamily (5 or more) residential properties	RCONF583	NR	M.10.a.4
5 Secured by nonfarm nonresidential properties	RCONF584	NR	M.10.a.5
b Commercial and industrial loans	RCONF585	NR	M 10 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 10 c
1 Credit cards	RCONF586	NR	M.10.c.1
2 Other revolving credit plans	RCONF587	NR	M.10.c.2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF588	NR	M.10.c.3
d Other loans	RCONF589	NR	M 10 d
11 Unpaid principal balance of loans measured at fair value (reported in Schedule RC-C, part I, Memorandum item 10)			M 11
a Loans secured by real estate			M 11 a
1 Construction, and land development, and other land loans	RCONF590	NR	M.11.a.1
2 Secured by farmland (including farm residential and other improvements)	RCONF591	NR	M.11.a.2
3 Secured by 1-4 family residential properties			M.11.a.3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF592	NR	M.11.a.3.a
b Closed-end loans secured by 1-4 family residential properties			M.11.a.3.b
1 Secured by first liens	RCONF593	NR	M.11.a.3.b.1
2 Secured by junior liens	RCONF594	NR	M.11.a.3.b.2
4 Secured by multifamily (5 or more) residential properties	RCONF595	NR	M.11.a.4
5 Secured by nonfarm nonresidential properties	RCONF596	NR	M.11.a.5
b Commercial and industrial loans	RCONF597	NR	M 11 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 11 c
1 Credit cards	RCONF598	NR	M.11.c.1
2 Other revolving credit plans	RCONF599	NR	M.11.c.2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF600	NR	M.11.c.3
d Other loans	RCONF601	NR	M 11 d

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands	(Column A) Fair value of acquired loans and leases at acquisition date	(Column B) Gross contractual amounts receivable at acquisition date	(Column C) Best estimate at acquisition date of contractual cash flows not expected to be collected	
12 Loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year				M 12
	RCONG091	RCONG092	RCONG093	
a Loans secured by real estate	0	0	0	M 12 a
	RCONG094	RCONG095	RCONG096	
b Commercial and industrial loans	0	0	0	M 12 b
c Loans to individuals for household, family, and other personal expenditures	RCONG097	RCONG098	RCONG099	
	0	0	0	M 12 c
	RCONG100	RCONG101	RCONG102	
d All other loans and all leases	0	0	0	M 12 d

Schedule RC-C Part I - Loans and Leases

Dollar amounts in thousands			
13 Construction, land development, and other land loans in domestic offices with interest reserves			M 13
a Amount of loans that provide for the use of interest reserves (included in Schedule RC-C, part I, item 1 a, column B)	RCONG376	476	M 13 a
b Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter (included in Schedule RI, item 1 a (1)(a)(2))	RIADG377	9	M 13 b
14 Pledged loans and leases	RCONG378	71,686	M 14
15 Reverse mortgages			M 15
a Reverse mortgages outstanding that are held for investment (included in Schedule RC-C, item 1 c, above)			M 15 a
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ466	NR	M.15.a.1
2 Proprietary reverse mortgages	RCONJ467	NR	M.15.a.2
b Estimated number of reverse mortgage loan referrals to other lenders during the year from whom compensation has been received for services performed in connection with the origination of the reverse mortgages			M 15 b
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ468	NR	M.15.b.1
2 Proprietary reverse mortgages	RCONJ469	NR	M.15.b.2
c Principal amount of reverse mortgage originations that have been sold during the year			M 15 c
1 Home Equity Conversion Mortgage (HECM) reverse mortgages	RCONJ470	NR	M.15.c.1
2 Proprietary reverse mortgages	RCONJ471	NR	M.15.c.2

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands			
1 Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2), and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4, have original amounts of $100,000 or less	RCON6999	No	1

Dollar amounts in thousands			
2 Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories			2
a "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2)	RCON5562	NR	2 a
b "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4	RCON5563	NR	2 b

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands	(Column A) Number of Loans		(Column B) Amount Currently Outstanding		
3 Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" reported in Schedule RC-C, part I, items 1 e (1) and 1 e (2)					3
a With original amounts of $100,000 or less	RCON5564	578	RCON5565	24,954	3 a
b With original amounts of more than $100,000 through $250,000.	RCON5566	742	RCON5567	95,924	3 b
c With original amounts of more than $250,000 through $1,000,000	RCON5568	994	RCON5569	393,424	3 c
4 Number and amount currently outstanding of "Commercial and industrial loans" reported in Schedule RC-C, part I, item 4					4
a With original amounts of $100,000 or less	RCON5570	2405	RCON5571	51,990	4 a
b With original amounts of more than $100,000 through $250,000	RCON5572	512	RCON5573	48,952	4 b.
c With original amounts of more than $250,000 through $1,000,000	RCON5574	330	RCON5575	87,487	4 c

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands			
5 Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3, have original amounts of $100,000 or less	RCON6860	No	5
6 Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories			6
a "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b	RCON5576	NR	6 a
b "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3	RCON5577	NR	6 b

Schedule RC-C Part II - Loans to Small Businesses and Small Farms

Dollar amounts in thousands	(Column A) Number of Loans		(Column B) Amount Currently Outstanding		
7 Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" reported in Schedule RC-C, part I, item 1 b					7
a With original amounts of $100,000 or less	RCON5578	392	RCON5579	14,495	7 a
b With original amounts of more than $100,000 through $250,000	RCON5580	205	RCON5581	25,909	7 b
c With original amounts of more than $250,000 through $500,000	RCON5582	77	RCON5583	19,536	7 c
8 Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" reported in Schedule RC-C, part I, item 3					8
a With original amounts of $100,000 or less	RCON5584	952	RCON5585	16,055	8 a
b. With original amounts of more than $100,000 through $250,000	RCON5586	103	RCON5587	9,675	8 b
c With original amounts of more than $250,000 through $500,000	RCON5588	43	RCON5589	9,709	8 c

Schedule RC-D - Trading Assets and Liabilities

Dollar amounts in thousands			
1 U S Treasury securities	RCON3531	NR	1
2 U S Government agency obligations (exclude mortgage-backed securities)	RCON3532	NR	2
3 Securities issued by states and political subdivisions in the U S	RCON3533	NR	3
4 Mortgage-backed securities (MBS)			4
a Residential mortgage pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA	RCONG379	NR	4 a
b Other residential MBS issued or guaranteed by FNMA, FHLMC, or GNMA (include CMOs, REMICs, and stripped MBS)	RCONG380	NR	4 b
c All other residential MBS	RCONG381	NR	4 c
d Commercial MBS	RCONG382	NR	4 d
5 Other debt securities			5
a Structured financial products			5 a
1 Cash	RCONG383	NR	5 a 1
2 Synthetic	RCONG384	NR	5 a 2
3 Hybrid	RCONG385	NR	5 a 3
b All other debt securities	RCONG386	NR	5 b
6 Loans			6
a Loans secured by real estate			6 a
1 Construction, land development, and other land loans	RCONF604	NR	6 a 1
2 Secured by farmland (including farm residential and other improvements)	RCONF605	NR	6 a 2
3 Secured by 1-4 family residential properties			6 a 3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF606	NR	6 a 3 a
b Closed-end loans secured by 1-4 family residential properties			6 a 3 b
1 Secured by first liens	RCONF607	NR	6a3b1
2 Secured by junior liens	RCONF611	NR	6a3b2
4 Secured by multifamily (5 or more) residential properties	RCONF612	NR	6 a 4
5 Secured by nonfarm nonresidential properties.	RCONF613	NR	6 a 5
b Commercial and industrial loans	RCONF614	NR	6 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			6 c
1 Credit cards	RCONF615	NR	6 c 1
2 Other revolving credit plans	RCONF616	NR	6 c 2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF617	NR	6 c 3
d Other loans	RCONF618	NR	6 d
7 Not applicable			7
8 Not applicable			8
9 Other trading assets	RCON3541	NR	9
10 Not applicable			10
11 Derivatives with a positive fair value	RCON3543	0	11
12 Total trading assets	RCON3545	0	12
13 Not available			13
a Liability for short positions	RCON3546	NR	13 a
b Other trading liabilities .	RCONF624	NR	13 b
14 Derivatives with a negative fair value	RCON3547	0	14
15 Total trading liabilities	RCON3548	0	15
1 Unpaid principal balance of loans measured at fair value (reported in Schedule RC-D, items 6 a (1) through 6 d)			M 1
a Loans secured by real estate			M 1 a

Dollar amounts in thousands			
1 Construction, land development, and other land loans	RCONF625	NR	M 1 a 1
2 Secured by farmland (including farm residential and other improvements)	RCONF626	NR	M 1 a.2
3 Secured by 1-4 family residential properties			M 1 a 3
a Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	RCONF627	NR	M.1.a.3.a
b Closed-end loans secured by 1-4 family residential properties			M.1.a.3.b
1 Secured by first liens	RCONF628	NR	M1a3b1
2 Secured by junior liens	RCONF629	NR	M1a3b2
4 Secured by multifamily (5 or more) residential properties	RCONF630	NR	M 1 a 4
5 Secured by nonfarm nonresidential properties	RCONF631	NR	M 1 a 5
b Commercial and industrial loans	RCONF632	NR	M 1 b
c Loans to individuals for household, family, and other personal expenditures (i e , consumer loans) (includes purchased paper)			M 1 c
1 Credit cards	RCONF633	NR	M 1 c 1
2 Other revolving credit plans	RCONF634	NR	M 1 c.2
3 Other consumer loans (includes single payment, installment, and all student loans)	RCONF635	NR	M 1 c 3
d Other loans	RCONF636	NR	M 1 d
2 Loans measured at fair value that are past due 90 days or more			M 2
a Fair value	RCONF639	NR	M 2 a
b Unpaid principal balance	RCONF640	NR	M 2 b
3 Structured financial products by underlying collateral or reference assets (sum of Memorandum items 3 a through 3 g must equal Schedule RC-D, sum of items 5 a (1) through (3))			M 3
a Trust preferred securities issued by financial institutions	RCONG299	NR	M 3 a
b Trust preferred securities issued by real estate investment trusts	RCONG332	NR	M 3 b
c Corporate and similar loans	RCONG333	NR	M 3 c
d 1-4 family residential MBS issued or guaranteed by U S government-sponsored enterprises (GSEs)	RCONG334	NR	M 3 d
e 1-4 family residential MBS not issued or guaranteed by GSEs	RCONG335	NR	M 3 e
f Diversified (mixed) pools of structured financial products	RCONG651	NR	M 3 f
g Other collateral or reference assets	RCONG652	NR	M 3 g
4 Pledged trading assets			M 4
a Pledged securities	RCONG387	NR	M 4 a
b Pledged loans	RCONG388	NR	M 4 b
5 Asset-backed securities			M 5
a Credit card receivables	RCONF643	NR	M 5 a
b Home equity lines	RCONF644	NR	M 5 b
c Automobile loans	RCONF645	NR	M 5 c
d Other consumer loans	RCONF646	NR	M 5 d
e Commercial and industrial loans	RCONF647	NR	M 5 e
f Other	RCONF648	NR	M 5 f
6 Retained beneficial interests in securitizations (first-loss or equity tranches)	RCONF651	NR	M 6
7 Equity securities			M 7
a Readily determinable fair values	RCONF652	NR	M 7 a
b Other	RCONF653	NR	M 7 b
8 Loans pending securitization	RCONF654	NR	M 8
9 Other trading assets (itemize and describe amounts included in Schedule RC-D, item 9, that are greater than $25,000 and exceed 25% of the item)			M 9
a Disclose component and the dollar amount of that component			M 9 a
1 Describe component	TEXTF655	NR	M 9 a 1
2 Amount of component	RCONF655	NR	M 9 a 2.

Dollar amounts in thousands			
b Disclose component and the dollar amount of that component			M 9 b
1 Describe component	TEXTF656	NR	M 9 b 1
2 Amount of component	RCONF656	NR	M 9 b.2
c Disclose component and the dollar amount of that component			M 9 c
1 Describe component	TEXTF657	NR	M 9 c 1
2 Amount of component	RCONF657	NR	M 9 c 2
10 Other trading liabilities (itemize and describe amounts included in Schedule RC-D, item 13 b, that are greater than $25,000 and exceed 25% of the item)			M 10
a Disclose component and the dollar amount of that component			M 10 a
1 Describe component	TEXTF658	NR	M.10.a.1
2 Amount of component	RCONF658	NR	M 10.a.2
b Disclose component and the dollar amount of that component			M 10 b
1 Describe component	TEXTF659	NR	M 10.b.1
2 Amount of component	RCONF659	NR	M 10.b.2
c Disclose component and the dollar amount of that component			M 10 c
1 Describe component	TEXTF660	NR	M.10.c.1
2 Amount of component	RCONF660	NR	M 10.c.2

Schedule RC-E - Deposit Liabilities

Dollar amounts in thousands	(Column A) Transaction Accounts Total transaction accounts (including total demand deposits)	(Column B) Transaction Accounts Memo. Total demand deposits (included in column A)	(Column C) Nontransaction Accounts Total nontransaction accounts (including MMDAs)	
Deposits of				
1 Individuals, partnerships, and corporations (include all certified and official checks)	RCONB549 525,338		RCONB550 5,752,589	1
2 U S Government	RCON2202 19		RCON2520 0	2
3 States and political subdivisions in the U S	RCON2203 108,285		RCON2530 1,109,359	3
4 Commercial banks and other depository institutions in the U S	RCONB551 0		RCONB552 0	4
5 Banks in foreign countries	RCON2213 0		RCON2236 0	5
6 Foreign governments and official institutions (including foreign central banks)	RCON2216 0		RCON2377 0	6
7 Total	RCON2215 633,642	RCON2210 417,154	RCON2385 6,861,948	7

Schedule RC-E - Deposit Liabilities

Dollar amounts in thousands			
1 Selected components of total deposits			M 1
a Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts	RCON6835	282,808	M 1 a
b Total brokered deposits	RCON2365	0	M 1 b
c Fully insured brokered deposits (included in Memorandum item 1 b above)			M 1 c

Dollar amounts in thousands			
1 Brokered deposits of less than $100,000	RCON2343	0	M 1 c 1
2 Brokered deposits of $100,000 through $250,000 and certain brokered retirement deposit accounts	RCONJ472	0	M 1 c 2
d Maturity data for brokered deposits			M 1 d
1 Brokered deposits issued in denominations of less than $100,000 with a remaining maturity of one year or less (included in Memorandum item 1 c (1) above)	RCONA243	0	M 1 d 1
2 Brokered deposits issued in denominations of $100,000 or more with a remaining maturity of one year or less	RCONA244	0	M 1.d.2.
e Preferred deposits (uninsured deposits of states and political subdivisions in the U S reported in item 3 above which are secured or collateralized as required under state law) (to be completed for the December report only)	RCON5590	NR	M 1 e
2 Components of total nontransaction accounts			M 2
a Savings deposits			M 2 a
1 Money market deposit accounts (MMDAs)	RCON6810	4,072,498	M 2 a 1
2 Other savings deposits (excludes MMDAs)	RCON0352	402,705	M 2.a.2
b Total time deposits of less than $100,000	RCON6648	1,224,647	M 2 b
c Total time deposits of $100,000 through $250,000	RCONJ473	823,519	M 2 c
d Total time deposits of more than $250,000	RCONJ474	338,579	M 2 d
e Individual Retirement Accounts (IRAs) and Keogh Plan accounts of $100,000 or more included in Memorandum items 2 c and 2 d above	RCONF233	72,650	M 2 e
3 Maturity and repricing data for time deposits of less than $100,000			M 3
a Time deposits of less than $100,000 with a remaining maturity or next repricing date of			M 3 a
1 Three months or less	RCONA579	415,644	M 3 a 1
2 Over three months through 12 months	RCONA580	608,867	M 3.a 2
3 Over one year through three years	RCONA581	161,390	M 3 a 3
4 Over three years	RCONA582	38,746	M 3 a 4
b Time deposits of less than $100,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 3 a (1) and 3 a (2) above)	RCONA241	1,019,973	M 3 b
4 Maturity and repricing data for time deposits of $100,000 or more			M 4
a Time deposits of $100,000 or more with a remaining maturity or next repricing date of			M 4 a
1 Three months or less	RCONA584	391,162	M 4.a 1
2 Over three months through 12 months	RCONA585	611,697	M 4 a 2
3 Over one year through three years	RCONA586	121,234	M 4 a 3
4 Over three years	RCONA587	38,005	M 4 a 4
b Time deposits of $100,000 or more with a REMAINING MATURITY of one year or less (included in Memorandum items 4 a.(1) and 4 a (2) above)	RCONA242	1,000,850	M 4 b

Schedule RC-F - Other Assets

Dollar amounts in thousands			
1 Accrued interest receivable	RCONB556	29,666	1
2 Net deferred tax assets	RCON2148	0	2
3 Interest-only strips receivable (not in the form of a security) on			3
a Mortgage loans	RCONA519	0	3 a
b Other financial assets	RCONA520	0	3 b
4 Equity securities that DO NOT have readily determinable fair values	RCON1752	17,805	4
5 Life insurance assets	RCONC009	48,897	5
6 All other assets	RCON2168	38,601	6
a Prepaid expenses	RCON2166	4,564	6 a
b Repossessed personal property (including vehicles)	RCON1578	0	6 b

Dollar amounts in thousands			
c Derivatives with a positive fair value held for purposes other than trading	RCONC010	0	6 c
d Retained interests in accrued interest receivable related to securitized credit cards	RCONC436	0	6 d
e FDIC loss-sharing indemnification assets	RCONJ448	0	6 e
f Prepaid deposit insurance assessments	RCONJ449	CONF	6 f
g Disclose component and the dollar amount of that component			6 g
1 Describe component	TEXT3549	NR	6 g 1
2 Amount of component	RCON3549	0	6 g 2
h Disclose component and the dollar amount of that component			6 h
1 Describe component	TEXT3550	NR	6 h 1
2 Amount of component	RCON3550	0	6 h 2
i Disclose component and the dollar amount of that component			6 i
1 Describe component	TEXT3551	NR	6 i 1
2 Amount of component	RCON3551	0	6 i 2
7 Total	RCON2160	134,969	7

Schedule RC-G - Other Liabilities

Dollar amounts in thousands			
1 Not available			1
a Interest accrued and unpaid on deposits	RCON3645	4,731	1 a
b Other expenses accrued and unpaid (includes accrued income taxes payable)	RCON3646	39,150	1 b
2 Net deferred tax liabilities	RCON3049	9,657	2
3 Allowance for credit losses on off-balance sheet credit exposures	RCONB557	0	3
4 All other liabilities	RCON2938	11,887	4
a Accounts payable	RCON3066	0	4 a
b Deferred compensation liabilities	RCONC011	0	4 b
c Dividends declared but not yet payable	RCON2932	0	4 c
d Derivatives with a negative fair value held for purposes other than trading	RCONC012	0	4 d
e Disclose component and the dollar amount of that component			4 e
1 Describe component	TEXT3552	Click here for value	4 e 1
2 Amount of component	RCON3552	1,476	4 e 2
f Disclose component and the dollar amount of that component			4 f
1 Describe component	TEXT3553	Escrow Deposits	4 f 1
2 Amount of component	RCON3553	9,011	4 f 2
g Disclose component and the dollar amount of that component			4 g
1 Describe component	TEXT3554	NR	4 g 1
2 Amount of component	RCON3554	0	4 g 2
5 Total	RCON2930	65,425	5

(TEXT3552) Cardholder Transactions in Process

Schedule RC-K - Quarterly Averages

Dollar amounts in thousands			
1 Interest-bearing balances due from depository institutions	RCON3381	12,342	1
2 U S Treasury securities and U S Government agency obligations (excluding mortgage-backed securities)	RCONB558	20,138	2
3 Mortgage-backed securities	RCONB559	4,510,479	3
4 All other securities (includes securities issued by states and political subdivisions in the U S)	RCONB560	118,947	4

Dollar amounts in thousands			
5 Federal funds sold and securities purchased under agreements to resell	RCON3365	7,760	5
6 Loans			6
a Total loans	RCON3360	3,408,322	6 a
b Loans secured by real estate			6 b
1 Loans secured by 1-4 family residential properties	RCON3465	887,639	6 b 1
2 All other loans secured by real estate	RCON3466	1,957,498	6 b 2
c Commercial and industrial loans	RCON3387	409,075	6 c
d Loans to individuals for household, family, and other personal expenditures			6 d
1 Credit cards	RCONB561	0	6 d 1
2 Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONB562	101,844	6 d 2
7 Trading assets	RCON3401	0	7
8 Lease financing receivables (net of unearned income)	RCON3484	321	8
9 Total assets	RCON3368	9,419,910	9
10 Interest-bearing transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) (exclude demand deposits)	RCON3485	198,751	10
11 Nontransaction accounts			11
a Savings deposits (includes MMDAs)	RCONB563	4,579,326	11 a
b Time deposits of $100,000 or more	RCONA514	1,223,258	11 b
c Time deposits of less than $100,000	RCONA529	1,276,299	11 c
12 Federal funds purchased and securities sold under agreements to repurchase	RCON3353	94,181	12
13 Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	RCON3355	159,424	13
1 Loans to finance agricultural production and other loans to farmers	RCON3386	52,266	M 1

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
1 Unused commitments			1
a Revolving, open-end lines secured by 1-4 family residential properties, i e , home equity lines	RCON3814	19,775	1 a
1 Unused commitments for Home Equity Conversion Mortgage (HECM) reverse mortgages outstanding that are held for investment (included in item 1 a above)	RCONJ477	NR	1.a 1
2 Unused commitments for proprietary reverse mortgages outstanding that are held for investment (included in item 1 a above)	RCONJ478	NR	1 a 2
b Credit card lines (Sum of items 1 b (1) and 1 b (2) must equal item 1 b)	RCON3815	0	1 b
1 Unused consumer credit card lines	RCONJ455	0	1 b 1
2 Other unused credit card lines	RCONJ456	0	1 b 2
c Commitments to fund commercial real estate, construction, and land development loans			1 c
1 Secured by real estate			1 c 1
a 1-4 family residential construction loan commitments	RCONF164	72,365	1 c 1 a
b Commercial real estate, other construction loan, and land development loan commitments	RCONF165	107,799	1 c 1 b
2 Not secured by real estate	RCON6550	7,108	1 c 2
d Securities underwriting	RCON3817	0	1 d
e Other unused commitments			1 e
1 Commercial and industrial loans	RCONJ457	211,203	1 e 1
2 Loans to financial institutions	RCONJ458	0	1 e 2
3 All other unused commitments	RCONJ459	49,908	1 e 3
2 Financial standby letters of credit	RCON3819	15,769	2
a Amount of financial standby letters of credit conveyed to others	RCON3820	0	2 a

Dollar amounts in thousands			
3 Performance standby letters of credit	RCON3821	0	3
a Amount of performance standby letters of credit conveyed to others	RCON3822	0	3 a
4 Commercial and similar letters of credit	RCON3411	0	4
5 Not applicable			5
6 Securities lent (including customers' securities lent where the customer is indemnified against loss by the reporting bank)	RCON3433	0	6

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Sold Protection		(Column B) Purchased Protection		
7 Credit derivatives					7
a Notional amounts					7 a
1 Credit default swaps	RCONC968	0	RCONC969	0	7 a 1
2 Total return swaps	RCONC970	0	RCONC971	0	7 a 2
3 Credit options	RCONC972	0	RCONC973	0	7 a 3
4 Other credit derivatives	RCONC974	0	RCONC975	0	7 a 4
b Gross fair values					7 b.
1 Gross positive fair value	RCONC219	0	RCONC221	0	7 b 1
2 Gross negative fair value	RCONC220	0	RCONC222	0	7 b 2

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
c Notational amounts by regulatory capital treatment			7 c
1 Positions covered under the Market Risk Rule			7 c 1
a Sold protection	RCONG401	0	7 c 1 a
b Purchased protection	RCONG402	0	7 c 1 b
2 All other positions			7 c 2
a Sold protection	RCONG403	0	7 c 2 a
b Purchased protection that is recognized as a guarantee for regulatory capital purposes	RCONG404	0	7 c 2 b
c Purchased protection that is not recognized as a guarantee for regulatory capital purposes	RCONG405	0	7 c 2 c

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Remaining Maturity of One Year or Less	(Column B) Remaining Maturity of Over One Year Through Five Years	(Column C) Remaining Maturity of Over Five Years	
d Notional amounts by remaining maturity				7 d
1 Sold credit protection				7 d 1
	RCONG406	RCONG407	RCONG408	
a Investment grade	0	0	0	7 d 1 a
	RCONG409	RCONG410	RCONG411	
b Subinvestment grade	0	0	0	7 d 1 b

Dollar amounts in thousands	(Column A) Remaining Maturity of One Year or Less	(Column B) Remaining Maturity of Over One Year Through Five Years	(Column C) Remaining Maturity of Over Five Years	
2 Purchased credit protection				7 d 2
	RCONG412	RCONG413	RCONG414	
a Investment grade	0	0	0	7 d 2 a
	RCONG415	RCONG416	RCONG417	
b Subinvestment grade	0	0	0	7 d 2 b

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands			
8 Spot foreign exchange contracts	RCON8765	0	8
9 All other off-balance sheet liabilities (exclude derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 27 a, "Total bank equity capital")	RCON3430	0	9
a Securities borrowed	RCON3432	0	9 a
b Commitments to purchase when-issued securities	RCON3434	0	9 b
c Standby letters of credit issued by a Federal Home Loan Bank on the bank's behalf	RCONC978	0	9 c
d Disclose component and the dollar amount of that component			9 d
1 Describe component	TEXT3555	NR	9 d 1
2 Amount of component	RCON3555	0	9 d 2
e Disclose component and the dollar amount of that component			9 e
1 Describe component	TEXT3556	NR	9 e 1
2 Amount of component	RCON3556	0	9 e 2
f Disclose component and the dollar amount of that component			9 f
1 Describe component	TEXT3557	NR	9 f 1
2 Amount of component	RCON3557	0	9 f 2
10 All other off-balance sheet assets (exclude derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 27 a, "Total bank equity capital")	RCON5591	0	10
a Commitments to sell when-issued securities	RCON3435	0	10 a
b Disclose component and the dollar amount of that component			10 b
1 Describe component	TEXT5592	NR	10 b 1
2 Amount of component	RCON5592	0	10 b 2
c Disclose component and the dollar amount of that component			10 c
1 Describe component	TEXT5593	NR	10 c 1
2 Amount of component	RCON5593	0	10 c 2
d Disclose component and the dollar amount of that component			10 d
1 Describe component	TEXT5594	NR	10 d 1
2 Amount of component	RCON5594	0	10 d 2
e Disclose component and the dollar amount of that component			10 e
1 Describe component	TEXT5595	NR	10 e 1
2 Amount of component	RCON5595	0	10 e 2
11 Year-to-date merchant credit card sales volume			11
a Sales for which the reporting bank is the acquiring bank	RCONC223	0	11 a
b Sales for which the reporting bank is the agent bank with risk	RCONC224	0	11 b

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Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts	
12 Gross amounts (e g , notional amounts)					12
a Futures contracts	RCON8693 0	RCON8694 0	RCON8695 0	RCON8696 0	12 a
b Forward contracts	RCON8697 0	RCON8698 0	RCON8699 0	RCON8700 0	12 b
c Exchange-traded option contracts					12 c
1 Written options	RCON8701 0	RCON8702 0	RCON8703 0	RCON8704 0	12 c 1
2 Purchased options	RCON8705 0	RCON8706 0	RCON8707 0	RCON8708 0	12 c 2
d Over-the-counter option contracts					12 d
1 Written options	RCON8709 0	RCON8710 0	RCON8711 0	RCON8712 0	12 d 1
2 Purchased options	RCON8713 0	RCON8714 0	RCON8715 0	RCON8716 0	12 d 2
e Swaps	RCON3450 0	RCON3826 0	RCON8719 0	RCON8720 0	12 e
13 Total gross notional amount of derivative contracts held for trading	RCONA126 0	RCONA127 0	RCON8723 0	RCON8724 0	13
14 Total gross notional amount of derivative contracts held for purposes other than trading	RCON8725 0	RCON8726 0	RCON8727 0	RCON8728 0	14
a Interest rate swaps where the bank has agreed to pay a fixed rate	RCONA589 0				14 a
15 Not available					15
a Contracts held for trading					15 a
1 Gross positive fair value	RCON8733 0	RCON8734 0	RCON8735 0	RCON8736 0	15 a 1
2 Gross negative fair value	RCON8737 0	RCON8738 0	RCON8739 0	RCON8740 0	15 a 2

Dollar amounts in thousands	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts	
b Contracts held for purposes other than trading					15 b
	RCON8741	RCON8742	RCON8743	RCON8744	
1 Gross positive fair value .	0	0	0	0	15 b 1
	RCON8745	RCON8746	RCON8747	RCON8748	
2 Gross negative fair value	0	0	0	0	15 b 2

Schedule RC-L - Derivatives and Off-Balance Sheet Items

Dollar amounts in thousands	(Column A) Banks and Securities Firms	(Column B) Monoline Financial Guarantors	(Column C) Hedge Funds	(Column D) Sovereign Governments	(Column E) Corporations and All Other Counterparties	
16 Over-the counter derivatives						16
	RCONG418	RCONG419	RCONG420	RCONG421	RCONG422	
a Net current credit exposure	NR	NR	NR	NR	NR	16 a
b Fair value of collateral						16 b
	RCONG423	RCONG424	RCONG425	RCONG426	RCONG427	
1 Cash - U S dollar	NR	NR	NR	NR	NR	16 b 1
	RCONG428	RCONG429	RCONG430	RCONG431	RCONG432	
2 Cash - Other currencies	NR	NR	NR	NR	NR	16 b 2
	RCONG433	RCONG434	RCONG435	RCONG436	RCONG437	
3 U S Treasury securities	NR	NR	NR	NR	NR	16 b 3
	RCONG438	RCONG439	RCONG440	RCONG441	RCONG442	
4 U S Government agency and U S Government-sponsored agency debt securities	NR	NR	NR	NR	NR	16 b 4
	RCONG443	RCONG444	RCONG445	RCONG446	RCONG447	
5 Corporate bonds	NR	NR	NR	NR	NR	16 b 5
	RCONG448	RCONG449	RCONG450	RCONG451	RCONG452	
6 Equity securities	NR	NR	NR	NR	NR	16 b 6
	RCONG453	RCONG454	RCONG455	RCONG456	RCONG457	
7 All other collateral	NR	NR	NR	NR	NR	16 b 7
	RCONG458	RCONG459	RCONG460	RCONG461	RCONG462	
8 Total fair value of collateral (sum of items 16 b (1) through (7))	NR	NR	NR	NR	NR	16 b 8

Schedule RC-M - Memoranda

Dollar amounts in thousands			
1 Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date			1
a Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests	RCON6164	15,612	1 a
b Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as defined for this purpose in agency regulations	RCON6165	7	1 b
2 Intangible assets other than goodwill			2
a Mortgage servicing assets	RCON3164	0	2.a
1 Estimated fair value of mortgage servicing assets	RCONA590	0	2 a 1
b Purchased credit card relationships and nonmortgage servicing assets	RCONB026	0	2 b.
c All other identifiable intangible assets	RCON5507	30,947	2 c
d Total	RCON0426	30,947	2 d
3 Other real estate owned			3
a. Construction, land development, and other land	RCON5508	3,724	3 a
b Farmland	RCON5509	0	3 b
c 1-4 family residential properties	RCON5510	2,472	3 c
d Multifamily (5 or more) residential properties	RCON5511	2,089	3 d
e Nonfarm nonresidential properties	RCON5512	2,948	3 e
f Foreclosed properties from "GNMA loans"	RCONC979	0	3 f
g Total (sum of items 3 a through 3 f) (must equal Schedule RC, item 7)	RCON2150	11,233	3 g
4 Not applicable			4
5 Other borrowed money			5
a Federal Home Loan Bank advances			5 a
1 Advances with a remaining maturity or next repricing date of			5 a 1
a One year or less	RCONF055	57,098	5 a 1 a
b Over one year through three years	RCONF056	736	5 a 1 b
c Over three years through five years	RCONF057	2,051	5 a 1 c
d Over five years	RCONF058	11,801	5 a 1 d
2 Advances with a remaining maturity of one year or less (included in item 5 a (1)(a) above)	RCON2651	57,098	5 a 2
3 Structured advances (included in items 5 a (1)(a) - (d) above)	RCONF059	0	5 a 3
b Other borrowings			5 b
1 Other borrowings with a remaining maturity of next repricing date of			5 b 1
a One year or less	RCONF060	0	5 b 1 a
b Over one year through three years	RCONF061	0	5 b 1 b
c Over three years through five years	RCONF062	0	5 b 1 c
d Over five years	RCONF063	0	5 b 1 d
2 Other borrowings with a remaining maturity of one year or less (included in item 5 b (1)(a) above)	RCONB571	0	5 b 2
c Total	RCON3190	71,686	5 c
6 Does the reporting bank sell private label or third party mutual funds and annuities?	RCONB569	Yes	6
7 Assets under the reporting bank's management in proprietary mutual funds and annuities	RCONB570	0	7
8 Primary Internet Web site address of the bank (home page), if any	TEXT4087	Click here for value	8
9 Do any of the bank's Internet Web sites have transactional capability, i e , allow the bank's customers to execute transactions on their accounts through the Web site?	RCON4088	Yes	9
10 Secured liabilities			10
a Amount of "Federal funds purchased" that are secured (included in Schedule RC, item 14 a)	RCONF064	0	10 a

Dollar amounts in thousands			
b Amount of "Other borrowings" that are secured (included in Schedule RC-M, items 5 b (1)(a) - (d))	RCONF065	0	10 b
11 Does the bank act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts?	RCONG463	No	11
12 Does the bank provide custody, safekeeping, or other services involving the acceptance of orders for the sale or purchase of securities?	RCONG464	No	12
13 Assets covered by loss-sharing agreements with the FDIC			13
a Loans and leases (included in Schedule RC, items 4 a and 4 b)	RCONJ452	0	13 a
b Other real estate owned (included in Schedule RC, item 7)	RCONJ453	0	13 b
c Debt securities (included in Schedule RC, items 2 a and 2 b)	RCONJ461	0	13 c
d Other assets	RCONJ462	0	13 d

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Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
1 Loans secured by real estate				1
a Construction, land development, and other land loans				1 a
	RCONF172	RCONF174	RCONF176	
1 1-4 family residential construction loans	2,171	595	1,463	1 a 1
	RCONF173	RCONF175	RCONF177	
2 Other construction loans and all land development and other land loans	2,413	307	1,650	1 a 2
	RCON3493	RCON3494	RCON3495	
b Secured by farmland	800	0	0	1 b
c Secured by 1-4 family residential properties				1 c
	RCON5398	RCON5399	RCON5400	
1 Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	166	0	0	1 c 1
2 Closed-end loans secured by 1-4 family residential properties				1 c 2
	RCONC236	RCONC237	RCONC229	
a Secured by first liens	6,666	387	1,079	1 c 2 a
	RCONC238	RCONC239	RCONC230	
b Secured by junior liens	1,006	8	78	1 c 2 b
	RCON3499	RCON3500	RCON3501	
d Secured by multifamily (5 or more) residential properties	452	0	2,000	1 d
e Secured by nonfarm nonresidential properties				1 e
	RCONF178	RCONF180	RCONF182	
1 Loans secured by owner-occupied nonfarm nonresidential properties	3,030	363	15	1 e 1
	RCONF179	RCONF181	RCONF183	
2 Loans secured by other nonfarm nonresidential properties	3,621	0	0	1 e 2
	RCONB834	RCONB835	RCONB836	
2 Loans to depository institutions and acceptances of other banks	0	0	0	2

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
3 Not applicable				3
	RCON1606	RCON1607	RCON1608	
4 Commercial and industrial loans	2,402	107	1,216	4
5 Loans to individuals for household, family, and other personal expenditures				5
	RCONB575	RCONB576	RCONB577	
a Credit cards	0	0	0	5 a
b Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	RCONB578 401	RCONB579 9	RCONB580 29	5 b
	RCON5389	RCON5390	RCON5391	
6 Loans to foreign governments and official institutions	0	0	0	6
	RCON5459	RCON5460	RCON5461	
7 All other loans	314	0	0	7
	RCON1226	RCON1227	RCON1228	
8 Lease financing receivables	0	0	0	8
9 Debt securities and other assets (exclude other real estate owned and other repossessed assets)	RCON3505 0	RCON3506 0	RCON3507 0	9
10 Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U S Government (including loans and leases covered by FDIC loss-sharing agreements)	RCON5612 106	RCON5613 0	RCON5614 0	10
a Guaranteed portion of loans and leases included in item 10 above (exclude rebooked "GNMA loans")	RCON5615 63	RCON5616 0	RCON5617 0	10 a
b Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 10 above	RCONC866 0	RCONC867 0	RCONC868 0	10 b
1 Restructured loans and leases included in Schedule RC-N, items 1 through 8, above (and not reported in Schedule RC-C, Part I, Memorandum item 1)				M 1
	RCONF661	RCONF662	RCONF663	
a Loans secured by 1-4 family residential properties	0	0	86	M 1 a
b Other loans and all leases (exclude loans to individuals for household, family, and other personal expenditures)	RCON1658 0	RCON1659 0	RCON1661 0	M 1 b
2 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-N, items 4 and 7, above	RCON6558 3	RCON6559 0	RCON6560 0	M 2
3 Not available				M 3
a Loans secured by real estate to non-U S addressees (domicile) (included in Schedule RC-N, item 1, above)	RCON1248 0	RCON1249 0	RCON1250 0	M 3 a
b Loans to and acceptances of foreign banks (included in Schedule RC-N, item 2, above)	RCON5380 0	RCON5381 0	RCON5382 0	M 3 b
c Commercial and industrial loans to non-U S addressees (domicile) (included in Schedule RC-N, item 4, above)	RCON1254 0	RCON1255 0	RCON1256 0	M 3 c
d Leases to individuals for household, family, and other personal expenditures (included in Schedule RC-N, item 8, above)	RCONF166 0	RCONF167 0	RCONF168 0	M 3 d
4 Loans to finance agricultural production and other loans to farmers (included in Schedule RC-N, item 7, above)	RCON1594 292	RCON1597 0	RCON1583 0	M 4
5 Loans and leases held for sale and loans measured at fair value (included in Schedule RC-N, items 1 through 8, above)				M 5

Dollar amounts in thousands	(Column A) Past due 30 through 89 days and still accruing	(Column B) Past due 90 days or more and still accruing	(Column C) Nonaccrual	
	RCONC240	RCONC241	RCONC226	
a Loans and leases held for sale	0	0	0	M 5 a
b Loans measured at fair value				M 5 b
	RCONF664	RCONF665	RCONF666	
1 Fair value	0	0	0	M 5 b 1
	RCONF667	RCONF668	RCONF669	
2 Unpaid principal balance	0	0	0	M 5 b 2

Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands	(Column A) Past due 30 through 89 days		(Column B) Past due 90 days or more		
6 Derivative contracts Fair value of amounts carried as assets	RCON3529	0	RCON3530	0	M 6

Schedule RC-N - Past Due and Nonaccrual Loans Leases and Other Assets

Dollar amounts in thousands			
7 Additions to nonaccrual assets during the quarter	RCONC410	8,397	M 7
8 Nonaccrual assets sold during the quarter	RCONC411	314	M 8

Schedule RC-O - Other Data for Deposit Insurance and FICO Assessments

Dollar amounts in thousands			
1 Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations	RCONF236	7,500,321	1
2 Total allowable exclusions	RCONF237	0	2
3 Not applicable			3
4 Total daily average of deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations	RCONF238	7,624,820	4
5 Total daily average of allowable exclusions	RCONF239	0	5
6 Not applicable			6
7 Unsecured "Other borrowings" with a remaining maturity of (sum of items 7 a through 7 d must be less than or equal to Schedule RC-M, items 5 b (1)(a)-(d) minus item 10 b)			7
a One year or less	RCONG465	0	7 a
b Over one year through three years	RCONG466	0	7 b
c Over three years through five years	RCONG467	0	7 c
d Over five years	RCONG468	0	7 d
8 Subordinated notes and debentures with a remaining maturity of (sum of items 8 a through 8 d must equal Schedule RC, item 19)			8
a One year or less	RCONG469	0	8 a
b Over one year through three years	RCONG470	0	8 b
c Over three years through five years	RCONG471	0	8 c
d Over five years	RCONG472	0	8 d
9 Reciprocal brokered deposits (included in Schedule RC-E, part I, Memorandum item 1 b)	RCONG803	0	9
1 Total assessable deposits of the bank, including related interest accrued and unpaid (sum of Memorandum items 1 a (1), 1 b (1), 1 c (1), and 1 d (1) must equal Schedule RC-O, item 1 less item 2)			M 1

Dollar amounts in thousands			
a Deposit accounts (excluding retirement accounts) of $250,000 or less			M 1 a
1 Amount of deposit accounts (excluding retirement accounts) of $250,000 or less	RCONF049	4,656,403	M 1 a 1
2 Number of deposit accounts (excluding retirement accounts) of $250,000 or less	RCONF050	368071	M 1 a.2
b Deposit accounts (excluding retirement accounts) of more than $250,000			M 1 b
1 Amount of deposit accounts (excluding retirement accounts) of more than $250,000	RCONF051	2,561,110	M 1 b 1
2 Number of deposit accounts (excluding retirement accounts) of more than $250,000	RCONF052	2658	M 1 b.2.
c Retirement deposit accounts of $250,000 or less			M 1 c
1 Amount of retirement deposit accounts of $250,000 or less	RCONF045	269,279	M 1 c 1
2 Number of retirement deposit accounts of $250,000 or less	RCONF046	15056	M 1 c 2
d Retirement deposit accounts of more than $250,000			M 1 d
1 Amount of retirement deposit accounts of more than $250,000	RCONF047	13,529	M 1 d 1
2 Number of retirement deposit accounts of more than $250,000	RCONF048	31	M 1 d 2
2 Estimated amount of uninsured assessable deposits, including related interest accrued and unpaid	RCON5597	1,322,145	M 2
3 Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report or Thrift Financial Report? If so, report the legal title and FDIC Certificate Number of the parent bank or parent savings association			M 3
a Legal title	TEXTA545	NR	M 3 a
b FDIC Certificate Number	RCONA545	0	M 3 b
4 Noninterest-bearing transaction accounts (as defined in Part 370 of the FDIC's regulations) of more than $250,000 (see instructions)			M 4
a Average daily amount of noninterest-bearing transaction accounts of more than $250,000 (including balances swept from noninterest-bearing transaction accounts to noninterest-bearing savings accounts)	RCONJ651	NR	M 4 a
b Average daily number of noninterest-bearing transaction accounts of more than $250,000 (rounded to two decimal places)	RCONJ652	NR	M 4 b

Schedule RC-P - 1-4 Family Residential Mortgage Banking Activities

Dollar amounts in thousands			
1 Retail originations during the quarter of 1-4 family residential mortgage loans for sale			1
a Closed-end first liens	RCONF066	0	1 a
b Closed-end junior liens	RCONF067	0	1 b
c Open-end loans extended under lines of credit			1 c
1 Total commitment under the lines of credit	RCONF670	0	1 c 1
2 Principal amount funded under the lines of credit	RCONF671	0	1 c 2
2 Wholesale originations and purchases during the quarter of 1-4 family residential mortgage loans for sale			2
a Closed-end first liens	RCONF068	0	2 a
b Closed-end junior liens	RCONF069	0	2 b
c Open-end loans extended under lines of credit			2 c
1 Total commitment under the lines of credit	RCONF672	0	2 c 1
2 Principal amount funded under the lines of credit	RCONF673	0	2 c 2
3 1-4 family residential mortgages sold during the quarter			3
a Closed-end first liens	RCONF070	0	3 a
b Closed-end junior liens	RCONF071	0	3 b
c Open-end loans extended under lines of credit			3 c
1 Total commitment under the lines of credit	RCONF674	0	3 c 1
2 Principal amount funded under the lines of credit	RCONF675	0	3 c 2

Dollar amounts in thousands			
4 1-4 family residential mortgages held for sale at quarter-end (included in Schedule RC, item 4 a)			4
a Closed-end first liens	RCONF072	0	4 a
b Closed-end junior liens	RCONF073	0	4 b
c Open-end loans extended under lines of credit			4 c
1 Total commitment under the lines of credit	RCONF676	0	4 c 1
2 Principal amount funded under the lines of credit	RCONF677	0	4 c 2
5 Noninterest income for the quarter from the sale, securitization, and servicing of 1-4 family residential mortgage loans (included in Schedule RI, items 5 f, 5 g, and 5 i)			5
a Closed-end 1-4 family residential mortgage loans	RIADF184	0	5 a
b Open-end 1-4 family residential mortgage loans extended under lines of credit	RIADF560	0	5 b
6 Repurchases and indemnifications of 1-4 family residential mortgage loans during the quarter			6
a Closed-end first liens	RCONF678	0	6 a
b Closed-end junior liens	RCONF679	0	6 b
c Open-end loans extended under line of credit			6 c
1 Total commitment under the lines of credit	RCONF680	0	6 c 1
2 Principal amount funded under the lines of credit	RCONF681	0	6 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCON1773	RCONG474	RCONG475	RCONG476	RCONG477	
1 Available-for-sale securities	469,817	0	0	469,817	0	1
	RCONG478	RCONG479	RCONG480	RCONG481	RCONG482	
2 Federal funds sold and securities purchased under agreements to resell	0	0	0	0	0	2
	RCONG483	RCONG484	RCONG485	RCONG486	RCONG487	
3 Loans and leases held for sale	0	0	0	0	0	3
	RCONG488	RCONG489	RCONG490	RCONG491	RCONG492	
4. Loans and leases held for investment	0	0	0	0	0	4
5 Trading assets						5
	RCON3543	RCONG493	RCONG494	RCONG495	RCONG496	
a Derivative assets	0	0	0	0	0	5 a
	RCONG497	RCONG498	RCONG499	RCONG500	RCONG501	
b Other trading assets	0	0	0	0	0	5 b
	RCONF240	RCONF684	RCONF692	RCONF241	RCONF242	
1 Nontrading securities at fair value with changes in fair value reported in current earnings (included in Schedule RC-Q, item 5 b, above)	0	0	0	0	0	5 b 1
	RCONG391	RCONG392	RCONG395	RCONG396	RCONG804	
6 All other assets	0	0	0	0	0	6
	RCONG502	RCONG503	RCONG504	RCONG505	RCONG506	
7 Total assets measured at fair value on a recurring basis (sum of items 1 through 5 b plus item 6)	469,817	0	0	469,817	0	7
	RCONF252	RCONF686	RCONF694	RCONF253	RCONF254	
8 Deposits	0	0	0	0	0	8
	RCONG507	RCONG508	RCONG509	RCONG510	RCONG511	
9 Federal funds purchased and securities sold under agreements to repurchase	0	0	0	0	0	9
10 Trading liabilities						10
	RCON3547	RCONG512	RCONG513	RCONG514	RCONG515	
a Derivative liabilities	0	0	0	0	0	10 a
	RCONG516	RCONG517	RCONG518	RCONG519	RCONG520	
b Other trading liabilities	0	0	0	0	0	10 b

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG521	RCONG522	RCONG523	RCONG524	RCONG525	
11 Other borrowed money	0	0	0	0	0	11
	RCONG526	RCONG527	RCONG528	RCONG529	RCONG530	
12 Subordinated notes and debentures	0	0	0	0	0	12
	RCONG805	RCONG806	RCONG807	RCONG808	RCONG809	
13 All other liabilities	0	0	0	0	0	13
14 Total liabilities measured at fair value on a recurring basis (sum of items 8 through 13)	RCONG531	RCONG532	RCONG533	RCONG534	RCONG535	
	0	0	0	0	0	14
1 All other assets (itemize and describe amounts included in Schedule RC-Q, item 6, that are greater than $25,000 and exceed 25% of item 6)						M 1
	RCONG536	RCONG537	RCONG538	RCONG539	RCONG540	
a Mortgage servicing assets	0	0	0	0	0	M 1 a
	RCONG541	RCONG542	RCONG543	RCONG544	RCONG545	
b Nontrading derivative assets	0	0	0	0	0	M 1 b

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
c Disclose component and the dollar amount of that component			M 1 c
1 Describe component	TEXTG546	NR	M 1 c 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS· Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG546	RCONG547	RCONG548	RCONG549	RCONG550	
2 Amount of component	0	0	0	0	0	M 1 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
d Disclose component and the dollar amount of that component			M 1 d
1 Describe component	TEXTG551	NR	M 1 d 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG551	RCONG552	RCONG553	RCONG554	RCONG555	
2 Amount of component	0	0	0	0	0	M 1 d 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
e Disclose component and the dollar amount of that component			M 1 e
1 Describe component	TEXTG556	NR	M 1 e 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS· Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG556	RCONG557	RCONG558	RCONG559	RCONG560	
2 Amount of component	0	0	0	0	0	M 1 e 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
f Disclose component and the dollar amount of that component			M 1 f
1 Describe component	TEXTG561	NR	M 1 f 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG561	RCONG562	RCONG563	RCONG564	RCONG565	
2 Amount of component	0	0	0	0	0	M 1 f.2
2 All other liabilities (itemize and describe amounts included in Schedule RC-Q, item 13, that are greater than $25,000 and exceed 25% of item 13)						M 2
	RCONF261	RCONF689	RCONF697	RCONF262	RCONF263	
a Loan commitments (not accounted for as derivatives)	0	0	0	0	0	M.2 a
	RCONG566	RCONG567	RCONG568	RCONG569	RCONG570	
b Nontrading derivative liabilities	0	0	0	0	0	M 2 b

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
c Disclose component and the dollar amount of that component			M 2 c
1 Describe component	TEXTG571	NR	M 2 c 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG571	RCONG572	RCONG573	RCONG574	RCONG575	
2 Amount of component	0	0	0	0	0	M 2 c 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
d Disclose component and the dollar amount of that component			M 2 d
1 Describe component	TEXTG576	NR	M 2 d 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS· Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG576	RCONG577	RCONG578	RCONG579	RCONG580	
2 Amount of component	0	0	0	0	0	M 2 d 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
e Disclose component and the dollar amount of that component			M 2 e
1 Describe component	TEXTG581	NR	M 2 e 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS· Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG581	RCONG582	RCONG583	RCONG584	RCONG585	
2 Amount of component	0	0	0	0	0	M 2 e 2

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands			
f Disclose component and the dollar amount of that component			M 2 f
1 Describe component	TEXTG586	NR	M 2 f 1

Schedule RC-Q - Assets and Liabilities Measured at Fair Value on a Recurring Basis

Dollar amounts in thousands	(Column A) Total Fair Value Reported on Schedule RC	(Column B) LESS: Amounts Netted in the Determination of Total Fair Value	(Column C) Level 1 Fair Value Measurements	(Column D) Level 2 Fair Value Measurements	(Column E) Level 3 Fair Value Measurements	
	RCONG586	RCONG587	RCONG588	RCONG589	RCONG590	
2 Amount of component	0	0	0	0	0	M 2 f 2

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands			
1 Total bank equity capital (from Schedule RC, item 27 a)	RCON3210	1,503,832	1
2 Net unrealized gains (losses) on available-for-sale securities	RCON8434	17,465	2
3 Net unrealized loss on available-for-sale equity securities	RCONA221	0	3
4 Accumulated net gains (losses) on cash flow hedges	RCON4336	0	4
5 Nonqualifying perpetual preferred stock	RCONB588	0	5
6 Qualifying noncontrolling (minority) interests in consolidated subsidiaries	RCONB589	0	6
7 Not available			7
a Disallowed goodwill and other disallowed intangible assets	RCONB590	950,897	7 a
b Cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank's own creditworthiness	RCONF264	0	7 b
8 Subtotal	RCONC227	535,470	8
9 Not available			9
a Disallowed servicing assets and purchased credit card relationships	RCONB591	0	9 a
b Disallowed deferred tax assets	RCON5610	0	9 b
10 Other additions to (deductions from) Tier 1 capital.	RCONB592	0	10
11 Tier 1 capital	RCON8274	535,470	11
12 Qualifying subordinated debt and redeemable preferred stock	RCON5306	0	12
13 Cumulative perpetual preferred stock includible in Tier 2 capital	RCONB593	0	13
14 Allowance for loan and lease losses includible in Tier 2 capital	RCON5310	51,354	14
15 Unrealized gains on available-for-sale equity securities includible in Tier 2 capital	RCON2221	0	15
16 Other Tier 2 capital components	RCONB594	0	16
17 Tier 2 capital	RCON5311	51,354	17
18 Allowable Tier 2 capital	RCON8275	51,354	18
19 Tier 3 capital allocated for market risk	RCON1395	0	19
20 Deductions for total risk-based capital	RCONB595	0	20
21 Total risk-based capital	RCON3792	586,824	21
22 Average total assets (from Schedule RC-K, item 9)	RCON3368	9,419,910	22
23 Disallowed goodwill and other disallowed intangible assets (from item 7 above)	RCONB590	950,897	23
24 Disallowed servicing assets and purchased credit card relationships (from item 9 a above)	RCONB591	0	24
25 Disallowed deferred tax assets (from item 9 b above)	RCON5610	0	25
26 Other deductions from assets for leverage capital purposes	RCONB596	0	26
27 Average total assets for leverage capital purposes	RCONA224	8,469,013	27
28 Not available			28
a Adjustment to Tier 1 capital reported in item 11	RCONC228	0	28 a
b Adjustment to total risk-based capital reported in item 21	RCONB503	0	28 b
29 Adjustment to risk-weighted assets reported in item 62	RCONB504	0	29
30 Adjustment to average total assets reported in item 27	RCONB505	0	30

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Percentage (Banks with Financial Subsidiaries)		(Column B) Percentage (All Banks)		
31 Tier 1 leverage ratio	RCON7273	0.0000	RCON7204	0.0632	31
32 Tier 1 risk-based capital ratio	RCON7274	0.0000	RCON7206	0.1297	32
33 Total risk-based capital ratio	RCON7275	0.0000	RCON7205	0.1422	33

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Totals (from Schedule RC)	(Column B) Items Not Subject to Risk-Weighting	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
	RCON0010	RCONC869	RCONB600	RCONB601		RCONB602	
34 Cash and balances dues from depository institutions	140,656	0	74,471	66,185		0	34
	RCON1754	RCONB603	RCONB604	RCONB605	RCONB606	RCONB607	
35 Held-to-maturity securities	4,002,822	0	123,187	3,861,229	16,907	1,500	35
	RCON1773	RCONB608	RCONB609	RCONB610	RCONB611	RCONB612	
36 Available-for-sale securities	469,817	26,869	51,272	381,840	1,315	8,522	36
	RCONC225		RCONC063	RCONC064		RCONB520	
37 Federal funds sold and securities purchased under agreements to resell	553		0	553		0	37
	RCON5369	RCONB617	RCONB618	RCONB619	RCONB620	RCONB621	
38 Loans and leases held for sale	0	0	0	0	0	0	38
	RCONB528	RCONB622	RCONB623	RCONB624	RCONB625	RCONB626	
39 Loans and leases, net of unearned income	3,413,819	0	0	93,807	954,248	2,365,764	39
	RCON3123	RCON3123					
40 Allowance for loan and lease losses	51,354	51,354					40
	RCON3545	RCONB627	RCONB628	RCONB629	RCONB630	RCONB631	
41 Trading Assets	0	0	0	0	0	0	41
	RCONB639	RCONB640	RCONB641	RCONB642	RCONB643	RCON5339	
42 All other assets	1,256,636	950,897	0	15,355	0	290,384	42
	RCON2170	RCONB644	RCON5320	RCON5327	RCON5334	RCON5340	
43 Total Assets	9,232,949	926,412	248,930	4,418,969	972,470	2,666,170	43

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
	RCONB546	RCONB547	RCONB548	RCONB581	RCONB582	RCONB583	
44 Financial standby letters of credit	15,769	15,769	0	8,356	0	7,413	44
	RCON3821	RCONB650	RCONB651	RCONB652	RCONB653	RCONB654	
45 Performance standby letters of credit	0	0	0	0	0	0	45
	RCON3411	RCONB655	RCONB656	RCONB657	RCONB658	RCONB659	
46 Commercial and similar letters of credit	0	0	0	0	0	0	46

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
47 Risk participations in bankers acceptances acquired by the reporting institution	RCON3429 0	RCONB660 0	RCONB661 0	RCONB662 0		RCONB663 0	47
48 Securities lent	RCON3433 0	RCONB664 0	RCONB665 0	RCONB666 0	RCONB667 0	RCONB668 0	48
49 Retained recourse on small business obligations sold with recourse	RCONA250 0	RCONB669 0	RCONB670 0	RCONB671 0	RCONB672 0	RCONB673 0	49
50 Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low-level exposure rule and residual interests subject to a dollar-for-dollar capital requirement	RCONB541 0	RCONB542 0				RCONB543 0	50
51 All other financial assets sold with recourse	RCONB675 0	RCONB676 0	RCONB677 0	RCONB678 0	RCONB679 0	RCONB680 0	51
52 All other off-balance sheet liabilities	RCONB681 0	RCONB682 0	RCONB683 0	RCONB684 0	RCONB685 0	RCONB686 0	52
53 Unused commitments							53
a With an original maturity exceeding one year	RCON3833 165,371	RCONB687 82,686	RCONB688 0	RCONB689 0	RCONB690 0	RCONB691 82,685	53 a
b With an original maturity of one year or less to asset-backed commercial paper conduits	RCONG591 0	RCONG592 0	RCONG593 0	RCONG594 0	RCONG595 0	RCONG596 0	53 b
54 Derivative contracts		RCONA167 0	RCONB693 0	RCONB694 0	RCONB695 0		54
55 Total assets, derivatives, and off-balance sheet items by risk weight category...			RCONB696 248,930	RCONB697 4,427,325	RCONB698 972,470	RCONB699 2,756,268	55
56 Risk weight factor							56
57 Risk-weighted assets by risk weight category			RCONB700 0	RCONB701 885,465	RCONB702 486,235	RCONB703 2,756,268	57
58 Market risk equivalent assets						RCON1651 0	58
59 Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve						RCONB704 4,127,968	59
60 Excess allowance for loan and lease losses						RCONA222 0	60
61 Allocated transfer risk reserve						RCON3128 0	61

Dollar amounts in thousands	(Column A) Face Value or Notional Amount	(Column B) Credit Equivalent Amount	(Column C) Allocation by Risk Weight Category 0%	(Column D) Allocation by Risk Weight Category 20%	(Column E) Allocation by Risk Weight Category 50%	(Column F) Allocation by Risk Weight Category 100%	
						RCONA223	
62 Total risk-weighted assets						4,127,968	62

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands			
1 Current credit exposure across all derivative contracts covered by the risk-based capital standards	RCON8764	0	M 1

Schedule RC-R - Regulatory Capital

Dollar amounts in thousands	(Column A) With a remaining maturity of one year or less	(Column B) With a remaining maturity of over one year through five years	(Column C) With a remaining maturity of over five years	
2 Notional principal amounts of derivative contracts				M 2
	RCON3809	RCON8766	RCON8767	
a Interest rate contracts	0	0	0	M 2 a
	RCON3812	RCON8769	RCON8770	
b Foreign exchange contracts	0	0	0	M.2 b
	RCON8771	RCON8772	RCON8773	
c Gold contracts.	0	0	0	M 2 c
	RCON8774	RCON8775	RCON8776	
d Other precious metals contracts	0	0	0	M 2 d
	RCON8777	RCON8778	RCON8779	
e Other commodity contracts	0	0	0	M 2 e
	RCONA000	RCONA001	RCONA002	
f Equity derivative contracts	0	0	0	M 2 f
g Credit derivative contracts Purchased credit protection that (a) is a covered position under the market risk rule or (b) is not a covered position under the market risk rule and is not recognized as a guarantee for risk-based capital purposes				M 2 g
	RCONG597	RCONG598	RCONG599	
1 Investment grade	0	0	0	M 2 g 1
	RCONG600	RCONG601	RCONG602	
2 Subinvestment grade	0	0	0	M 2 g 2

Schedule RC-S - Servicing Securitization and Asset Sale Activities

Dollar amounts in thousands	(Column A) 1-4 Family Residential Loans	(Column B) Home Equity Lines	(Column C) Credit Card Receivables	(Column D) Auto Loans	(Column E) Other Consumer Loans	(Column F) Commercial and Industrial Loans	(Column G) All Other Loans, All Leases, and All Other Assets	
1 Outstanding principal balance of assets sold and securitized by the reporting bank with servicing retained or with recourse or other seller-provided credit enhancements	RCONB705 0	RCONB706 0	RCONB707 0	RCONB708 0	RCONB709 0	RCONB710 0	RCONB711 0	1
2 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to structures reported in item 1 in the form of								2
a Credit-enhancing interest-only strips (included in Schedules RC-B or RC-F or in Schedule RC, item 5)	RCONB712 0	RCONB713 0	RCONB714 0	RCONB715 0	RCONB716 0	RCONB717 0	RCONB718 0	2 a
b Subordinated securities and other residual interests	RCONC393 0	RCONC394 0	RCONC395 0	RCONC396 0	RCONC397 0	RCONC398 0	RCONC399 0	2 b
c Standby letters of credit and other enhancements	RCONC400 0	RCONC401 0	RCONC402 0	RCONC403 0	RCONC404 0	RCONC405 0	RCONC406 0	2 c
3 Reporting bank's unused commitments to provide liquidity to structures reported in item 1	RCONB726 0	RCONB727 0	RCONB728 0	RCONB729 0	RCONB730 0	RCONB731 0	RCONB732 0	3
4 Past due loan amounts included in item 1								4
a 30-89 days past due	RCONB733 0	RCONB734 0	RCONB735 0	RCONB736 0	RCONB737 0	RCONB738 0	RCONB739 0	4 a
b 90 days or more past due	RCONB740 0	RCONB741 0	RCONB742 0	RCONB743 0	RCONB744 0	RCONB745 0	RCONB746 0	4 b
5 Charge-offs and recoveries on assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements (calendar year-to-date)								5
a Charge-offs	RIADB747 0	RIADB748 0	RIADB749 0	RIADB750 0	RIADB751 0	RIADB752 0	RIADB753 0	5 a
b Recoveries	RIADB754 0	RIADB755 0	RIADB756 0	RIADB757 0	RIADB758 0	RIADB759 0	RIADB760 0	5 b
6 Amount of ownership (or seller's) interests carried as								6
a Securities (included in Schedule RC-B or in Schedule RC, item 5)		RCONB761 0	RCONB762 0			RCONB763 0		6 a

Dollar amounts in thousands	(Column A) 1-4 Family Residential Loans	(Column B) Home Equity Lines	(Column C) Credit Card Receivables	(Column D) Auto Loans	(Column E) Other Consumer Loans	(Column F) Commercial and Industrial Loans	(Column G) All Other Loans, All Leases, and All Other Assets	
b Loans (included in Schedule RC-C)		RCONB500 0	RCONB501 0			RCONB502 0		6 b
7 Past due loan amounts included in interests reported in item 6 a								7
a 30-89 days past due		RCONB764 0	RCONB765 0			RCONB766 0		7 a
b 90 days or more past due		RCONB767 0	RCONB768 0			RCONB769 0		7 b
8 Charge-offs and recoveries on loan amounts included in interests reported in item 6 a (calendar year-to-date)								8
a Charge-offs		RIADB770 0	RIADB771 0			RIADB772 0		8 a
b Recoveries		RIADB773 0	RIADB774 0			RIADB775 0		8 b
9 Maximum amount of credit exposure arising from credit enhancements provided by the reporting bank to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements	RCONB776 0	RCONB777 0	RCONB778 0	RCONB779 0	RCONB780 0	RCONB781 0	RCONB782 0	9
10 Reporting bank's unused commitments to provide liquidity to other institutions' securitization structures	RCONB783 0	RCONB784 0	RCONB785 0	RCONB786 0	RCONB787 0	RCONB788 0	RCONB789 0	10
11 Assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting bank	RCONB790 0	RCONB791 0	RCONB792 0	RCONB793 0	RCONB794 0	RCONB795 0	RCONB796 0	11
12 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11	RCONB797 0	RCONB798 0	RCONB799 0	RCONB800 0	RCONB801 0	RCONB802 0	RCONB803 0	12

Schedule RC-S - Servicing Securitization and Asset Sale Activities

Dollar amounts in thousands			
1 Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994			M 1
a Outstanding principal balance	RCONA249	0	M 1 a
b Amount of retained recourse on these obligations as of the report date	RCONA250	0	M 1 b
2 Outstanding principal balance of assets serviced for others (includes participations serviced for others)			M 2
a Closed-end 1-4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements	RCONB804	0	M 2 a
b Closed-end 1-4 family residential mortgages serviced with no recourse or other servicer-provided credit enhancements	RCONB805	0	M 2 b
c Other financial assets (includes home equity lines)	RCONA591	0	M 2 c
d 1-4 family residential mortgages serviced for others that are in process of foreclosure at quarter-end (includes closed-end and open-end loans)	RCONF699	0	M 2 d
3 Asset-backed commercial paper conduits			M 3
a Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby letters of credit, subordinated securities, and other enhancements			M 3 a
1 Conduits sponsored by the bank, a bank affiliate, or the bank's holding company	RCONB806	0	M 3 a 1
2 Conduits sponsored by other unrelated institutions	RCONB807	0	M 3 a 2
b Unused commitments to provide liquidity to conduit structures			M 3 b
1 Conduits sponsored by the bank, a bank affiliate, or the bank's holding company	RCONB808	0	M 3 b 1
2 Conduits sponsored by other unrelated institutions	RCONB809	0	M 3 b.2
4 Outstanding credit card fees and finance charges included in Schedule RC-S, item 1, column C	RCONC407	NR	M 4

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands			
1 Does the institution have fiduciary powers? (If "NO," do not complete Schedule RC-T)	RCONA345	Yes	1
2 Does the institution exercise the fiduciary powers it has been granted?	RCONA346	No	2
3 Does the institution have any fiduciary or related activity (in the form of assets or accounts) to report in this schedule? (If "NO," do not complete the rest of Schedule RC-T)	RCONB867	No	3

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Managed Assets	(Column B) Non-Managed Assets	(Column C) Number of Managed Accounts	(Column D) Number of Non-Managed Accounts	
	RCONB868	RCONB869	RCONB870	RCONB871	
4 Personal trust and agency accounts	NR	NR	NR	NR	4
5 Employee benefit and retirement-related trust and agency accounts					5
	RCONB872	RCONB873	RCONB874	RCONB875	
a Employee benefit - defined contribution	NR	NR	NR	NR	5 a
	RCONB876	RCONB877	RCONB878	RCONB879	
b Employee benefit - defined benefit	NR	NR	NR	NR	5 b
	RCONB880	RCONB881	RCONB882	RCONB883	
c Other employee benefit and retirement-related accounts	NR	NR	NR	NR	5 c
	RCONB884	RCONB885	RCONC001	RCONC002	
6 Corporate trust and agency accounts	NR	NR	NR	NR	6
	RCONB886	RCONJ253	RCONB888	RCONJ254	
7 Investment management and investment advisory agency accounts	NR	NR	NR	NR	7
	RCONJ255	RCONJ256	RCONJ257	RCONJ258	
8 Foundation and endowment trust and agency accounts	NR	NR	NR	NR	8
	RCONB890	RCONB891	RCONB892	RCONB893	
9 Other fiduciary accounts	NR	NR	NR	NR	9
	RCONB894	RCONB895	RCONB896	RCONB897	
10 Total fiduciary accounts (sum of items 4 through 9)	NR	NR	NR	NR	10
		RCONB898		RCONB899	
11 Custody and safekeeping accounts		NR		NR	11
12 Not applicable					12
	RCONJ259	RCONJ260	RCONJ261	RCONJ262	
13 Individual Retirement Accounts, Health Savings Accounts, and other similar accounts (included in items 5 c and 11)	NR	NR	NR	NR	13

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands			
14 Personal trust and agency accounts	RIADB904	NR	14
15 Employee benefit and retirement-related trust and agency accounts			15
a Employee benefit - defined contribution	RIADB905	NR	15 a
b Employee benefit - defined benefit	RIADB906	NR	15 b
c Other employee benefit and retirement-related accounts	RIADB907	NR	15 c
16 Corporate trust and agency accounts	RIADA479	NR	16
17 Investment management and investment advisory agency accounts	RIADJ315	NR	17
18 Foundation and endowment trust and agency accounts	RIADJ316	NR	18
19 Other fiduciary accounts	RIADA480	NR	19
20 Custody and safekeeping accounts	RIADB909	NR	20
21 Other fiduciary and related services income	RIADB910	NR	21
22 Total gross fiduciary and related services income (sum of items 14 through 21) (must equal Schedule RI, item 5 a)	RIAD4070	0	22
23 Less Expenses	RIADC058	NR	23
24 Less Net losses from fiduciary and related services	RIADA488	NR	24
25 Plus Intracompany income credits for fiduciary and related services	RIADB911	NR	25
26 Net fiduciary and related services income	RIADA491	NR	26

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Personal Trust and Agency and Investment Management Agency Accounts	(Column B) Employee Benefit and Retirement-Related Trust and Agency Accounts	(Column C) All Other Accounts	
1 Managed assets held in fiduciary accounts				M 1
	RCONJ263	RCONJ264	RCONJ265	
a Noninterest-bearing deposits	NR	NR	NR	M 1 a
	RCONJ266	RCONJ267	RCONJ268	
b Interest-bearing deposits	NR	NR	NR	M 1 b
	RCONJ269	RCONJ270	RCONJ271	
c U S Treasury and U S Government agency obligations	NR	NR	NR	M 1 c
	RCONJ272	RCONJ273	RCONJ274	
d State, county, and municipal obligations	NR	NR	NR	M 1 d
	RCONJ275	RCONJ276	RCONJ277	
e Money market mutual funds	NR	NR	NR	M 1 e
	RCONJ278	RCONJ279	RCONJ280	
f Equity mutual funds	NR	NR	NR	M 1 f
	RCONJ281	RCONJ282	RCONJ283	
g Other mutual funds	NR	NR	NR	M 1 g
	RCONJ284	RCONJ285	RCONJ286	
h Common trust funds and collective investment funds	NR	NR	NR	M 1 h
	RCONJ287	RCONJ288	RCONJ289	
i Other short-term obligations	NR	NR	NR	M 1 i
	RCONJ290	RCONJ291	RCONJ292	
j Other notes and bonds	NR	NR	NR	M 1 j

Dollar amounts in thousands	(Column A) Personal Trust and Agency and Investment Management Agency Accounts	(Column B) Employee Benefit and Retirement-Related Trust and Agency Accounts	(Column C) All Other Accounts	
k Investments in unregistered funds and private equity investments	RCONJ293 NR	RCONJ294 NR	RCONJ295 NR	M 1 k
l Other common and preferred stocks	RCONJ296 NR	RCONJ297 NR	RCONJ298 NR	M 1 l
m Real estate mortgages	RCONJ299 NR	RCONJ300 NR	RCONJ301 NR	M 1 m
n Real estate	RCONJ302 NR	RCONJ303 NR	RCONJ304 NR	M 1 n
o Miscellaneous assets	RCONJ305 NR	RCONJ306 NR	RCONJ307 NR	M 1 o
p Total managed assets held in fiduciary accounts (for each column, sum of Memorandum items 1 a through 1 o)	RCONJ308 NR	RCONJ309 NR	RCONJ310 NR	M 1 p

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Managed Assets		(Column B) Number of Managed Accounts		
q Investments of managed fiduciary accounts in advised or sponsored mutual funds	RCONJ311	NR	RCONJ312	NR	M 1 q

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Number of Issues		(Column B) Principal Amount Outstanding		
2 Corporate trust and agency accounts					M 2
a Corporate and municipal trusteeships	RCONB927	NR	RCONB928	NR	M 2 a
1 Issues reported in Memorandum item 2 a that are in default	RCONJ313	NR	RCONJ314	NR	M2a1
b Transfer agent, registrar, paying agent, and other corporate agency	RCONB929	NR			M 2 b

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Number of Funds		(Column B) Market Value of Fund Assets		
3 Collective investment funds and common trust funds					M 3
a Domestic equity	RCONB931	NR	RCONB932	NR	M 3 a
b International/Global equity	RCONB933	NR	RCONB934	NR	M 3 b
c Stock/Bond blend	RCONB935	NR	RCONB936	NR	M 3 c
d Taxable bond	RCONB937	NR	RCONB938	NR	M 3 d
e Municipal bond	RCONB939	NR	RCONB940	NR	M 3 e
f Short term investments/Money market	RCONB941	NR	RCONB942	NR	M 3 f
g Specialty/Other	RCONB943	NR	RCONB944	NR	M 3 g
h Total collective investment funds (sum of Memorandum items 3 a through 3 g)	RCONB945	NR	RCONB946	NR	M 3 h

Schedule RC-T - Fiduciary and Related Services

Dollar amounts in thousands	(Column A) Gross Losses Managed Accounts	(Column B) Gross Losses Non-Managed Accounts	(Column C) Recoveries	
4 Fiduciary settlements, surcharges, and other losses				M 4
	RIADB947	RIADB948	RIADB949	
a Personal trust and agency accounts.	NR	NR	NR	M 4 a
	RIADB950	RIADB951	RIADB952	
b Employee benefit and retirement-related trust and agency accounts	NR	NR	NR	M 4 b
	RIADB953	RIADB954	RIADB955	
c Investment management agency accounts	NR	NR	NR	M 4 c
	RIADB956	RIADB957	RIADB958	
d Other fiduciary accounts and related services	NR	NR	NR	M 4 d
	RIADB959	RIADB960	RIADB961	
e Total fiduciary settlements, surcharges, and other losses (sum of Memorandum items 4 a through 4 d) (sum of columns A and B minus column C must equal Schedule RC-T, item 24)	NR	NR	NR	M 4 e

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1 Who Must Report on What Forms		1
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Prosperity Bank
Reference 2.5 - D
Annual Report 12-31-2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For The Fiscal Year Ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 0-25051

PROSPERITY BANCSHARES, INC.®
(Exact name of registrant as specified in its charter)

Texas	**74-2331986**
(State or other jurisdiction of incorporation or organization)	**(I R.S. Employer Identification No.)**
Prosperity Bank Plaza 4295 San Felipe Houston, Texas	**77027**
(Address of principal executive offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code (713) 693-9300

Securities registered pursuant to Section 12(b) of the Act

Common Stock, par value $1.00 per share	**NASDAQ Global Select Market**
(Title of each class)	**(Name of each exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment of this Form 10-K ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One)

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

The aggregate market value of the shares of common stock held by non-affiliates as of June 30, 2010, based on the closing price of the common stock on the NASDAQ Global Select Market on June 30, 2010 was approximately $1 48 billion

As of February 15, 2011, the number of outstanding shares of common stock was 46,739,326

Documents Incorporated by Reference·

Portions of the Company's Proxy Statement relating to the 2011 Annual Meeting of Shareholders, which will be filed within 120 days after December 31, 2010, are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K

PART I

ITEM 1. BUSINESS

General

Prosperity Bancshares, Inc ®, a Texas corporation (the "Company"), was formed in 1983 as a vehicle to acquire the former Allied Bank in Edna, Texas which was chartered in 1949 as The First National Bank of Edna and is now known as Prosperity Bank The Company is a registered financial holding company that derives substantially all of its revenues and income from the operation of its bank subsidiary, Prosperity Bank® ("Prosperity Bank®" or the "Bank") The Bank provides a broad line of financial products and services to small and medium-sized businesses and consumers As of December 31, 2010, the Bank operated one hundred seventy-five (175) full-service banking locations, with sixty (60) in the Houston area, twenty (20) in the South Texas area including Corpus Christi and Victoria, thirty-three (33) in Central Texas, ten (10) in the Bryan/College Station area, twenty-one (21) in East Texas and thirty-one (31) in the Dallas/Fort Worth, Texas area The Company's headquarters are located at Prosperity Bank Plaza, 4295 San Felipe in Houston, Texas and its telephone number is (281) 269-7199 The Company's website address is *www prosperitybanktx com*

The Company's market consists of the communities served by its banking centers The diverse nature of the economies in each local market served by the Company provides the Company with a varied customer base and allows the Company to spread its lending risk throughout a number of different industries including professional service firms and their principals, manufacturing, tourism, recreation, petrochemicals, farming and ranching The Company's market areas outside of Houston, Dallas, Corpus Christi and Austin are dominated by either small community banks or branches of large regional banks Management believes that the Company, as one of the few mid-sized financial institutions that combines responsive community banking with the sophistication of a regional bank holding company, has a competitive advantage in its market areas and excellent growth opportunities through acquisitions, including acquisitions of failed financial institutions, new banking center locations and additional business development

Operating under a community banking philosophy, the Company seeks to develop broad customer relationships based on service and convenience while maintaining its conservative approach to lending and sound asset quality The Company has grown through a combination of internal growth, the acquisition of community banks and branches of banks and the opening of new banking centers. Utilizing a low cost of funds and employing stringent cost controls, the Company has been profitable in every full year of its existence, including the period of adverse economic conditions in Texas in the late 1980s and more recently in 2009 and 2010 From 1988 to 1992 as a sound and profitable institution, the Company took advantage of this economic downturn and acquired the deposits and certain assets of failed banks in West Columbia, El Campo and Cuero, Texas and two failed banks in Houston, which diversified the Company's franchise and increased its core deposits The Company opened a full-service banking center in Victoria, Texas in 1993 and the following year established a banking center in Bay City, Texas The Company expanded its Bay City presence in 1996 with the acquisition of an additional branch location from Norwest Bank Texas (now Wells Fargo), and in 1997, the Company acquired the Angleton, Texas branch of Wells Fargo Bank In 1998, the Company enhanced its West Columbia Banking Center with the purchase of a commercial bank branch located in West Columbia and acquired Union State Bank in East Bernard, Texas In 2008, the Company again took advantage of the economic downturn and acquired approximately $3 6 billion in deposits and certain assets of Franklin Bank headquartered in Houston, Texas from the Federal Deposit Insurance Corporation ("FDIC"), as receiver

Officers and Associates

The Company's directors and officers are important to the Company's success and play a key role in the Company's business development efforts by actively participating in civic and public service activities in the communities served by the Company

The Company has invested heavily in its officers and associates by recruiting talented officers in its market areas and providing them with economic incentive in the form of stock-based compensation and bonuses based on cross-selling performance The senior management team has substantial experience in the Houston, Dallas, Austin, Bryan/College Station, East Texas, Corpus Christi and San Antonio markets and the surrounding communities in which the Company has a presence Each banking center location is administered by a local president or manager with knowledge of the community and lending expertise in the specific industries found in the community The Company entrusts its banking center presidents and managers with authority and flexibility within general parameters with respect to product pricing and decision making in order to avoid the bureaucratic structure of larger banks The Company operates each banking center as a separate profit center, maintaining separate data with respect to each banking center's net interest income, efficiency ratio, deposit growth, loan growth and overall profitability Banking center presidents and managers are accountable for performance in these areas and compensated accordingly The Company's local banking centers have no 1-800 telephone numbers Each banking center has its own listed local business telephone number Customers are served by a local banker with decision making authority

As of December 31, 2010, the Company and the Bank had 1,708 full-time equivalent associates, 667 of whom were officers of the Bank The Company provides medical and hospitalization insurance to its full-time associates The Company considers its relations with associates to be excellent. Neither the Company nor the Bank is a party to any collective bargaining agreement

Banking Activities

The Company, through the Bank, offers a variety of traditional loan and deposit products to its customers, which consist primarily of consumers and small and medium-sized businesses The Bank tailors its products to the specific needs of customers in a given market At December 31, 2010, the Bank maintained approximately 378,000 separate deposit accounts including certificates of deposit, 35,000 separate loan accounts and 22 4% of the Bank's total deposits were noninterest-bearing demand deposits For the year ended December 31, 2010, the Company's average cost of funds was 0 85% and the Company's average cost of deposits (excluding all borrowings) was 0 82%

The Company has been an active real estate lender, with commercial mortgage and 1-4 family residential loans comprising 37 0% and 23 7% of the Company's total loans as of December 31, 2010, respectively The Company also offers commercial loans, loans for automobiles and other consumer durables, home equity loans, debit cards, internet banking and other cash management services and automated telephone banking By offering certificates of deposit, interest checking accounts, savings accounts and overdraft protection at competitive rates, the Company gives its depositors a full range of traditional deposit products

The businesses targeted by the Company in its lending efforts are primarily those that require loans in the $100,000 to $8 0 million range The Company offers these businesses a broad array of loan products including term loans, lines of credit and loans for working capital, business expansion and the purchase of equipment and machinery, interim construction loans for builders and owner-occupied commercial real estate loans increase cross-selling results among its associates Officers and associates have access to each customer's existing and related account relationships and are better able to inform customers of additional products when customers visit or call the various banking centers or use their drive-in facilities In addition, the Company includes product information in monthly statements and other mailings

Competition

The banking business is highly competitive, and the profitability of the Company depends principally on its ability to compete in its market areas The Company competes with other commercial banks, savings banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, asset-based nonbank lenders and certain other nonfinancial entities, including retail stores which may maintain their own credit programs and certain governmental organizations which may offer more favorable financing than the Company The Company believes it has been able to compete effectively with other financial institutions by emphasizing customer service, technology and responsive decision-making with respect to loans, by establishing long-term customer relationships and building customer loyalty and by providing products and services designed to address the specific needs of its customers

Supervision and Regulation

The supervision and regulation of bank holding companies and their subsidiaries is intended primarily for the protection of depositors, the Deposit Insurance Fund ("DIF") of the FDIC and the banking system as a whole, and not for the protection of the bank holding company's shareholders or creditors The banking agencies have broad enforcement power over bank holding companies and banks including the power to impose substantial fines and other penalties for violations of laws and regulations

The following description summarizes some of the laws to which the Company and the Bank are subject References in this Annual Report on Form 10-K to applicable statutes and regulations are brief summaries thereof, do not purport to be complete, and are qualified in their entirety by reference to such statutes and regulations

The Company

The Company is a financial holding company pursuant to the Gramm-Leach-Bliley Act and a bank holding company registered under the Bank Holding Company Act of 1956, as amended ("BHCA") Accordingly, the Company is subject to supervision, regulation and examination by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). The Gramm-Leach-Bliley Act, the BHCA and other federal laws subject financial and bank holding companies to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations

Regulatory Restrictions on Dividends, Source of Strength. The Company is regarded as a legal entity separate and distinct from the Bank The principal source of the Company's revenues is dividends received from the Bank As described in more detail below, federal law places limitations on the amount that state banks may pay in dividends, which the Bank must adhere to when paying dividends to the Company It is the policy of the Federal Reserve Board that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition The policy provides that bank holding companies should not maintain a level of cash dividends that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiaries

Under Federal Reserve Board policy, a bank holding company has historically been required to act as a source of financial strength to each of its banking subsidiaries The Dodd-Frank Wall Street Reform and

Safe and Sound Banking Practices Bank holding companies are not permitted to engage in unsafe and unsound banking practices The Federal Reserve Board's Regulation Y, for example, generally requires a holding company to give the Federal Reserve Board prior notice of any redemption or repurchase of its own equity securities, if the consideration to be paid, together with the consideration paid for any repurchases or redemptions in the preceding year, is equal to 10% or more of the company's consolidated net worth The Federal Reserve Board may oppose the transaction if it believes that the transaction would constitute an unsafe or unsound practice or would violate any law or regulation Depending upon the circumstances, the Federal Reserve Board could take the position that paying a dividend would constitute an unsafe or unsound banking practice

The Federal Reserve Board has broad authority to prohibit activities of bank holding companies and their nonbanking subsidiaries which represent unsafe and unsound banking practices or which constitute violations of laws or regulations, and can assess civil money penalties for certain activities conducted on a knowing and reckless basis, if those activities caused a substantial loss to a depository institution The penalties can be as high as $1 0 million for each day the activity continues

Anti-Tying Restrictions Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other services offered by a holding company or its affiliates

Capital Adequacy Requirements The Federal Reserve Board has adopted a system using risk-based capital guidelines under a two-tier capital framework to evaluate the capital adequacy of bank holding companies Tier 1 capital generally consists of common stockholders' equity, retained earnings, a limited amount of qualifying perpetual preferred stock, qualifying trust preferred securities and noncontrolling interests in the equity accounts of consolidated subsidiaries, less goodwill and certain intangibles Tier 2 capital generally consists of certain hybrid capital instruments and perpetual debt, mandatory convertible debt securities and a limited amount of subordinated debt, qualifying preferred stock, loan loss allowance, and unrealized holding gains on certain equity securities

Under the guidelines, specific categories of assets are assigned different risk weights, based generally on the perceived credit risk of the asset These risk weights are multiplied by corresponding asset balances to determine a "risk-weighted" asset base The guidelines require a minimum ratio of total capital to total risk-weighted assets of 8 0% (of which at least 4 0% is required to consist of Tier 1 capital elements) Total capital is the sum of Tier 1 and Tier 2 capital As of December 31, 2010, the Company's ratio of Tier 1 capital to total risk-weighted assets was 13 64% and its ratio of total capital to total risk-weighted assets was 14 87% Risk-weighted assets exclude intangible assets such as goodwill and core deposit intangibles

In addition to the risk-based capital guidelines, the Federal Reserve Board uses a leverage ratio as an additional tool to evaluate the capital adequacy of bank holding companies The leverage ratio is a company's Tier 1 capital divided by its average total consolidated assets Certain highly rated bank holding companies may maintain a minimum leverage ratio of 3 0%, but other bank holding companies are required to maintain a leverage ratio of 4 0% As of December 31, 2010, the Company's leverage ratio was 6 87%

The federal banking agencies' risk-based and leverage capital ratios are minimum supervisory ratios generally applicable to banking organizations that meet certain specified criteria Banking organizations not meeting these criteria are expected to operate with capital positions well above the minimum ratios The federal bank regulatory agencies may set capital requirements for a particular banking organization that are higher than the minimum ratios when circumstances warrant Federal Reserve Board guidelines also provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets

Proposed Revisions to Capital Adequacy Requirements The Dodd-Frank Act requires the Federal Reserve Board, the Office of the Comptroller of the Currency ("OCC") and the FDIC to adopt regulations imposing a continuing "floor" of the 1988 capital accord ("Basel I") of the Basel Committee on Banking Supervision (the "Basel Committee") capital requirements in cases where the 2004 Basel Committee capital accord ("Basel II")

Imposition of Liability for Undercapitalized Subsidiaries Bank regulators are required to take "prompt corrective action" to resolve problems associated with insured depository institutions whose capital declines below certain levels In the event an institution becomes "undercapitalized," it must submit a capital restoration plan The capital restoration plan will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan up to a certain specified amount Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy

The aggregate liability of the holding company of an undercapitalized bank is limited to the lesser of 5% of the institution's assets at the time it became undercapitalized or the amount necessary to cause the institution to be "adequately capitalized " The bank regulators have greater power in situations where an institution becomes "significantly" or "critically" undercapitalized or fails to submit a capital restoration plan For example, a bank holding company controlling such an institution can be required to obtain prior Federal Reserve Board approval of proposed dividends, or might be required to consent to a consolidation or to divest the troubled institution or other affiliates

Acquisitions by Bank Holding Companies The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve Board before it may acquire all or substantially all of the assets of any bank, or ownership or control of any voting shares of any bank, if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank In approving bank acquisitions by bank holding companies, the Federal Reserve Board is required to consider, among other things, the financial and managerial resources and future prospects of the bank holding company and the banks concerned, the convenience and needs of the communities to be served and various competitive factors

Control Acquisitions The Change in Bank Control Act ("CBCA") prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve Board has been notified and has not objected to the transaction Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as the Company, would, under the circumstances set forth in the presumption, constitute acquisition of control of the Company

In addition, the CBCA prohibits any entity from acquiring 25% (5% in the case of an acquiror that is a bank holding company) or more of a bank holding company's or bank's voting securities, or otherwise obtaining control or a controlling influence over a bank holding company or bank without the approval of the Federal Reserve Board In most circumstances, an entity that owns 25% or more of the voting securities of a banking organization owns enough of the capital resources to have a controlling influence over such banking organization for purposes of the CBCA On September 22, 2008, the Federal Reserve Board issued a policy statement on equity investments in bank holding companies and banks, which allows the Federal Reserve Board to generally be able to conclude that an entity's investment is not "controlling" if the entity does not own in excess of 15% of the voting power and 33% of the total equity of the bank holding company or bank Depending on the nature of the overall investment and the capital structure of the banking organization, the Federal Reserve Board will permit, based on the policy statement, noncontrolling investments in the form of voting and nonvoting shares that represent in the aggregate (i) less than one-third of the total equity of the banking organization (and less than one-third of any class of voting securities, assuming conversion of all convertible nonvoting securities held by the entity) and (ii) less than 15% of any class of voting securities of the banking organization

The Bank

The Bank is a Texas-chartered banking association, the deposits of which are insured by the DIF of the FDIC The Bank is not a member of the Federal Reserve System, therefore, the Bank is subject to supervision and regulation by the FDIC and the Texas Department of Banking Such supervision and regulation subject the Bank to special restrictions, requirements, potential enforcement actions and periodic examination by the FDIC insured institutions and their subsidiaries and holding companies These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made There is also an aggregate limitation on all loans to insiders and their related interests These loans cannot exceed the institution's total unimpaired capital and surplus, and the FDIC may determine that a lesser amount is appropriate Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions

Restrictions on Distribution of Subsidiary Bank Dividends and Assets Dividends paid by the Bank have provided a substantial part of the Company's operating funds and for the foreseeable future it is anticipated that dividends paid by the Bank to the Company will continue to be the Company's principal source of operating funds Capital adequacy requirements serve to limit the amount of dividends that may be paid by the Bank Under federal law, the Bank cannot pay a dividend if, after paying the dividend, the Bank will be "undercapitalized " The FDIC may declare a dividend payment to be unsafe and unsound even though the Bank would continue to meet its capital requirements after the dividend Because the Company is a legal entity separate and distinct from its subsidiaries, its right to participate in the distribution of assets of any subsidiary upon the subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors In the event of a liquidation or other resolution of an insured depository institution, the claims of depositors and other general or subordinated creditors are entitled to a priority of payment over the claims of holders of any obligation of the institution to its shareholders, including any depository institution holding company (such as the Company) or any shareholder or creditor thereof

Examinations The FDIC periodically examines and evaluates state member banks Based on such an evaluation, the FDIC may revalue the assets of the institution and require that it establish specific reserves to compensate for the difference between the FDIC-determined value and the book value of such assets The Texas Department of Banking also conducts examinations of state banks but may accept the results of a federal examination in lieu of conducting an independent examination In addition, the FDIC and Texas Department of Banking may elect to conduct a joint examination

Audit Reports Insured institutions with total assets of $500 million or more must submit annual audit reports prepared by independent auditors to federal and state regulators In some instances, the audit report of the institution's holding company can be used to satisfy this requirement Auditors must receive examination reports, supervisory agreements and reports of enforcement actions For institutions with total assets of $1 billion or more, financial statements prepared in accordance with generally accepted accounting principles, management's certifications concerning responsibility for the financial statements, internal controls and compliance with legal requirements designated by the FDIC, and an attestation by the auditor regarding the statements of management relating to the internal controls must be submitted For institutions with total assets of more than $3 billion, independent auditors may be required to review quarterly financial statements FDICIA requires that independent audit committees be formed, consisting of outside directors only The committees of such institutions must include members with experience in banking or financial management, must have access to outside counsel, and must not include representatives of large customers

Capital Adequacy Requirements The FDIC has adopted regulations establishing minimum requirements for the capital adequacy of insured institutions The FDIC may establish higher minimum requirements if, for example, a bank has previously received special attention or has a high susceptibility to interest rate risk

The FDIC's risk-based capital guidelines generally require state banks to have a minimum ratio of Tier 1 capital to total risk-weighted assets of 4 0% and a ratio of total capital to total risk-weighted assets of 8 0%. The capital categories have the same definitions for the Bank as for the Company As of December 31, 2010, the Bank's ratio of Tier 1 capital to total risk-weighted assets was 13 37% and its ratio of total capital to total risk-weighted assets was 14 60%

The FDIC's leverage guidelines require state banks to maintain Tier 1 capital of no less than 4 0% of average total assets, except in the case of certain highly rated banks for which the requirement is 3 0% of average brokered deposits, secured liabilities and unsecured debt Total base assessment rates after adjustments range from 7 to 24 basis points for Risk Category I, 17 to 43 basis points for Risk Category II, 27 to 58 basis points for Risk Category III, and 40 to 77 5 basis points for Risk Category IV

In November, 2009, the FDIC adopted a rule that required all insured institutions with limited exceptions, to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 The assessment, which for the Company totaled $35 6 million, was calculated by taking the institution's actual September 30, 2009 assessment base and adjusting it quarterly by an estimated 5% annual growth rate through the end of 2012 Each institution records the entire amount of its prepaid assessment as a prepaid expense, an asset on its balance sheet, as of December 30, 2009 As of December 31, 2009, and each quarter thereafter, each institution records an expense, or a charge to earnings, for its quarterly assessment invoiced on its quarterly statement and an offsetting credit to the prepaid assessment until the asset is exhausted

On February 7, 2011, the FDIC approved a final rule that amends its existing DIF restoration plan and implements certain provisions of the Dodd-Frank Act Effective April 1, 2011 the assessment base will be determined using average consolidated total assets minus average tangible equity rather than the current assessment base of adjusted domestic deposits Since the change will result in a much larger assessment base, the final rule also lowers the assessment rates in order to keep the total amount collected from financial institutions relatively unchanged from the amounts currently being collected The new assessment rates, calculated on the revised assessment base, will generally range from 2 5 to 9 basis points for Risk Category I institutions, 9 to 24 basis points for Risk Category II institutions, 18 to 33 basis points for Risk Category III institutions, and 30 to 45 basis points for Risk Category IV institutions For large institutions (generally those with total assets of $10 billion or more), which as of December 31, 2010 did not include the Bank, the initial base assessment rate will range from 5 to 35 basis points on an annualized basis After the effect of potential base-rate adjustments, the total base assessment rate could range from 2 5 to 45 basis points on an annualized basis Assessment rates for large institutions will be calculated using a scorecard that combines CAMELS ratings and certain forward-looking financial measures to assess the risk a large institution poses to the DIF The new assessment rates will be calculated for the quarter beginning April 1, 2011 and reflected in invoices for assessments due September 30, 2011

Brokered Deposit Restrictions Adequately capitalized institutions cannot accept, renew or roll over brokered deposits except with a waiver from the FDIC, and are subject to restrictions on the interest rates that can be paid on any deposits Undercapitalized institutions may not accept, renew, or roll over brokered deposits

Concentrated Commercial Real Estate Lending Regulations The federal banking agencies, including the FDIC, have promulgated guidance governing financial institutions with concentrations in commercial real estate lending The guidance provides that a bank has a concentration in commercial real estate lending if (i) total reported loans for construction, land development, and other land represent 100% or more of total capital or (ii) total reported loans secured by multifamily and non-farm residential properties and loans for construction, land development, and other land represent 300% or more of total capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months Owner occupied loans are excluded from this second category If a concentration is present, management must employ heightened risk management practices that address the following key elements including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending

Cross-Guarantee Provisions The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains a "cross-guarantee" provision which generally makes commonly controlled insured depository institutions liable to the FDIC for any losses incurred in connection with the failure of a commonly controlled depository institution

Community Reinvestment Act The CRA and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their service area, including low and moderate income neighborhoods, *Legislative Initiatives*

In light of current conditions and the market outlook for continuing weak economic conditions, regulators have increased their focus on the regulation of financial institutions From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures Such initiatives may change banking statutes and the operating environment of the Company and the Bank in substantial and unpredictable ways The Company cannot determine the ultimate effect that any potential legislation, if enacted, or implementing regulations with respect thereto, would have, upon the financial condition or results of operations of the Company or the Bank A change in statutes, regulations or regulatory policies applicable to the Company or the Bank could have a material effect on the financial condition, results of operations or business of the Company and the Bank

Dodd-Frank Act In July 2010, Congress enacted the Dodd-Frank Act regulatory reform legislation, which the President signed into law on July 21, 2010 Many aspects of the Dodd–Frank Act are subject to further rulemaking and will take effect over several years, making it difficult for the Company to anticipate the overall financial impact to it or across the industry This new law broadly affects the financial services industry by implementing changes to the financial regulatory landscape aimed at strengthening the sound operation of the financial services sector, including provisions that, among other things, will

- Create a new agency, the Consumer Financial Protection Bureau, responsible for implementing, examining and enforcing compliance with federal consumer financial laws,
- Apply the same leverage and risk–based capital requirements that apply to insured depository institutions to most bank holding companies, which, among other things, will require the Company to deduct all trust preferred securities issued on or after May 19, 2010 from the Company's Tier 1 capital (existing trust preferred securities issued prior to May 19, 2010 for all bank holding companies with less than $15 0 billion in total consolidated assets as of December 31, 2009 are exempt from this requirement),
- Broaden the base for FDIC insurance assessments from the amount of insured deposits to average total consolidated assets less average tangible equity during the assessment period,
- Permanently increase FDIC deposit insurance to $250,000 and provide unlimited FDIC deposit insurance beginning December 31, 2010 until January 1, 2013 for noninterest bearing demand transaction accounts at all insured depository institutions,
- Permit banks to engage in de novo interstate branching if the laws of the state where the new branch is to be established would permit the establishment of the branch if it were chartered by such state,
- Repeal the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts,
- Require financial holding companies, such as the Company, to be well capitalized and well managed as of July 21, 2011 Bank holding companies and banks must also be both well capitalized and well managed in order to acquire banks located outside their home state,
- Eliminate the ceiling on the size of the DIF and increase the floor of the size of the DIF,
- Implement corporate governance revisions, including with regard to executive compensation and proxy access by shareholders, that apply to all public companies, not just financial institutions,
- Amend the Electronic Fund Transfer Act ("EFTA") to, among other things, give the Federal Reserve the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers, such as the Bank, having assets over $10 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer, and
- Increase the authority of the Federal Reserve to examine the Company and its non-bank subsidiaries

available to the Federal Reserve Board to affect the money supply are open market operations in U S government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid for deposits

Federal Reserve Board monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future The nature of future monetary policies and the effect of such policies on the business and earnings of the Company and its subsidiaries cannot be predicted

ITEM 1A. RISK FACTORS

An investment in the Company's common stock involves risks The following is a description of the material risks and uncertainties that the Company believes affect its business and an investment in the common stock Additional risks and uncertainties that the Company is unaware of, or that it currently deems immaterial, also may become important factors that affect the Company and its business If any of the risks described in this Annual Report on Form 10-K were to occur, the Company's financial condition, results of operations and cash flows could be materially and adversely affected If this were to happen, the value of the common stock could decline significantly and you could lose all or part of your investment

Risks Associated with the Company's Business

If the Company is not able to continue its historical levels of growth, it may not be able to maintain its historical earnings trends

To achieve its past levels of growth, the Company has initiated internal growth programs and completed a number of acquisitions The Company may not be able to sustain its historical rate of growth or may not be able to grow at all In addition, the Company may not be able to obtain the financing necessary to fund additional growth and may not be able to find suitable candidates for acquisition Various factors, such as economic conditions and competition, may impede or prohibit the opening of new banking centers Further, the Company may be unable to attract and retain experienced bankers, which could adversely affect its internal growth If the Company is not able to continue its historical levels of growth, it may not be able to maintain its historical earnings trends

If the Company is unable to manage its growth effectively, its operations could be negatively affected.

Companies that experience rapid growth face various risks and difficulties, including

- finding suitable markets for expansion,
- finding suitable candidates for acquisition,
- attracting funding to support additional growth,
- maintaining asset quality,
- attracting and retaining qualified management, and
- maintaining adequate regulatory capital

In addition, in order to manage its growth and maintain adequate information and reporting systems within its organization, the Company must identify, hire and retain additional qualified associates, particularly in the accounting and operational areas of its business

If the Company does not manage its growth effectively, its business, financial condition, results of operations and future prospects could be negatively affected, and the Company may not be able to continue to implement its business strategy and successfully conduct its operations able to complete future acquisitions and, if completed, the Company may not be able to successfully integrate the operations, management, products and services of the entities that it acquires and eliminate redundancies The integration process could result in the loss of key employees or disruption of the combined entity's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect the Company's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the transaction The integration process may also require significant time and attention from the Company's management that they would otherwise direct at servicing existing business and developing new business The Company's failure to successfully integrate the entities it acquires into its existing operations may increase its operating costs significantly and adversely affect its business and earnings

The Company's dependence on loans secured by real estate subjects it to risks relating to fluctuations in the real estate market and related interest rates and regulatory guidance that could require additional capital and could adversely affect its financial condition, results of operations and cash flows

Approximately 83 7% of the Company's total loans as of December 31, 2010 consisted of loans included in the real estate loan portfolio with 14 4% in construction and land development, 27 1% in residential real estate and 42 2% in commercial real estate The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended A weakening of the real estate market in the Company's primary market areas could have an adverse effect on the demand for new loans, the ability of borrowers to repay outstanding loans, the value of real estate and other collateral securing the loans and the value of real estate owned by the Company If real estate values decline, it is also more likely that the Company would be required to increase its allowance for credit losses, which could adversely affect its financial condition, results of operations and cash flows

As of December 31, 2010, the Company had $502 3 million or 14 4% of total loans in construction and land development loans Construction loans are subject to risks during the construction phase that are not present in standard residential real estate and commercial real estate loans These risks include

- the viability of the contractor,
- the contractor's ability to complete the project, to meet deadlines and time schedules and to stay within cost estimates, and
- concentrations of such loans with a single contractor and its affiliates

Real estate construction loans also present risks of default in the event of declines in property values or volatility in the real estate market during the construction phase If the Company is forced to foreclose on a project prior to completion, it may not be able to recover the entire unpaid portion of the loan, may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate amount of time If any of these risks were to occur, it could adversely affect the Company's financial condition, results of operations and cash flows

The federal banking agencies have issued guidance regarding high concentrations of commercial real estate loans within bank loan portfolios The guidance requires financial institutions that exceed certain levels of commercial real estate lending compared with their total capital to maintain heightened risk management practices that address the following key elements including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending If there is any deterioration in the Company's commercial mortgage or construction and land development portfolios or if its regulators conclude that the Company has not implemented appropriate risk management practices, it could adversely affect the Company's business and result in a requirement of increased capital levels, and such capital may not be available at that time could impact these local economic conditions and could negatively affect the Company's financial condition, results of operations and cash flows

The Company's allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect its earnings.

As a lender, the Company is exposed to the risk that its loan customers may not repay their loans according to the terms of these loans and the collateral securing the payment of these loans may be insufficient to fully compensate the Company for the outstanding balance of the loan plus the costs to dispose of the collateral Management makes various assumptions and judgments about the collectability of the Company's loan portfolio, including the diversification by industry of its commercial loan portfolio, the amount of nonperforming assets and related collateral, the volume, growth and composition of its loan portfolio, the effects on the loan portfolio of current economic indicators and their probable impact on borrowers and the evaluation of its loan portfolio through its internal loan review process and other relevant factors

The Company maintains an allowance for credit losses in an attempt to cover estimated losses inherent in its loan portfolio Additional credit losses will likely occur in the future and may occur at a rate greater than the Company has experienced to date In determining the size of the allowance, the Company relies on an analysis of its loan portfolio, its historical loss experience and its evaluation of general economic conditions Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for credit losses If the Company's assumptions prove to be incorrect or if it experiences significant loan losses in future periods, its current allowance may not be sufficient to cover actual loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in its loan portfolio A material addition to the allowance could cause net income, and possibly capital, to decrease

In addition, federal and state regulators periodically review the Company's allowance for credit losses and may require the Company to increase its provision for credit losses or recognize further charge-offs, based on judgments different than those of the Company's management An increase in the Company's allowance for credit losses or charge-offs as required by these regulatory agencies could have a material adverse effect on the Company's operating results and financial condition

The small to medium-sized businesses that the Company lends to may have fewer resources to weather a downturn in the economy, which may impair a borrower's ability to repay a loan to the Company that could materially harm the Company's operating results

The Company targets its business development and marketing strategy primarily to serve the banking and financial services needs of small to medium-sized businesses These small to medium-sized businesses frequently have smaller market share than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience significant volatility in operating results Any one or more of these factors may impair the borrower's ability to repay a loan In addition, the success of a small to medium-sized business often depends on the management talents and efforts of one or two persons or a small group of persons, and the death, disability or resignation of one or more of these persons could have a material adverse impact on the business and its ability to repay a loan Economic downturns and other events that negatively impact the Company's market areas could cause the Company to incur substantial credit losses that could negatively affect the Company's results of operations and financial condition

The Company may need to raise additional capital in the future and such capital may not be available when needed or at all.

The Company may need to raise additional capital in the future to provide it with sufficient capital resources and liquidity to meet its commitments and business needs In addition, the Company may elect to raise additional capital to support its business or to finance acquisitions, if any The Company's ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of its control, and its financial performance The ongoing liquidity crisis and the loss of confidence in financial institutions may increase the Company's cost of funding and limit its access to some of its customary sources of capital, including, but not limited to, inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve

The Company cannot assure you that such capital will be available to it on acceptable terms or at all Any occurrence that may limit its access to the capital markets, such as a decline in the confidence of investors, depositors of the Banks or counterparties participating in the capital markets, may adversely affect the Company's capital costs and its ability to raise capital and, in turn, its liquidity An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on the Company's business, financial condition and results of operations

An interruption in or breach in security of the Company's information systems may result in a loss of customer business and have an adverse effect on the Company's results of operations, financial condition and cash flows.

The Company relies heavily on communications and information systems to conduct its business Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, deposits, servicing or loan origination systems Although the Company has policies and procedures designed to prevent or minimize the effect of a failure, interruption or breach in security of its communications or information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur, or if they do occur, that they will be adequately addressed by the Company The occurrence of any such failures, interruptions or security breaches could result in a loss of customer business and have a negative effect on the Company's results of operations, financial condition and cash flows

The business of the Company is dependent on technology and the Company's inability to invest in technological improvements may adversely affect its results of operations, financial condition and cash flows.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs The Company's future success depends in part upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands for convenience as well as create additional efficiencies in its operations. Many of the Company's competitors have substantially greater resources to invest in technological improvements The Company may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers, which may negatively affect the Company's results of operations, financial condition and cash flows

The Company operates in a highly regulated environment and, as a result, is subject to extensive regulation and supervision, and changes in federal, state and local laws and regulations could adversely affect its financial performance

The Company and the Bank are subject to extensive federal and state regulation and supervision Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking

In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Company's exposure to environmental liability Although the Company has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Company's financial condition and results of operations

Risks Associated with the Company's Common Stock

The Company's corporate organizational documents and the provisions of Texas law to which it is subject may delay or prevent a change in control of the Company that a shareholder may favor.

The Company's amended and restated articles of incorporation and amended and restated bylaws contain various provisions which may delay, discourage or prevent an attempted acquisition or change of control of the Company These provisions include

- a board of directors classified into three classes of directors with the directors of each class having staggered three-year terms,
- a provision that any special meeting of the Company's shareholders may be called only by the chairman of the board and chief executive officer, the president, a majority of the board of directors or the holders of at least 50% of the Company's shares entitled to vote at the meeting,
- a provision establishing certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at an annual or special meeting of shareholders, and
- a provision that denies shareholders the right to amend the Company's bylaws

The Company's articles of incorporation provide for noncumulative voting for directors and authorize the board of directors to issue shares of its preferred stock without shareholder approval and upon such terms as the board of directors may determine The issuance of the Company's preferred stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in the Company In addition, certain provisions of Texas law, including a provision which restricts certain business combinations between a Texas corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of the Company

There are restrictions on the Company's ability to pay dividends.

Holders of the Company's common stock are only entitled to receive such dividends as the Company's Board of Directors may declare out of funds legally available for such payments Although the Company has historically declared cash dividends on its common stock, it is not required to do so and there can be no assurance that the Company will pay dividends in the future Any declaration and payment of dividends on common stock will depend upon the Company's earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, the Company's ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by the Board of Directors

The Company's principal source of funds to pay dividends on the shares of common stock is cash dividends that the Company receives from the Bank Various banking laws applicable to the Bank limit the payment of dividends and other distributions by the Bank to the Company, and may therefore limit the Company's ability to pay dividends on its common stock Regulatory authorities could impose administratively stricter limitations on the ability of the Bank to pay dividends to the Company if such limits were deemed appropriate to preserve certain capital adequacy requirements In addition, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, The following table sets forth specific information regarding the banking centers located in each of the Company's geographical market areas at December 31, 2010

Geographical Area	Number of Banking Centers	Number of Leased Banking Centers	Deposits at December 31, 2010
			(Dollars in thousands)
Bryan/College Station	10	—	$ 562,639
Houston area	60	18	3,489,349
Central Texas area	33	7	973,442
Dallas/Fort Worth Texas area	31	9	1,091,836
East Texas area	21	—	595,054
South Texas area including Corpus Christi	20	5	742,600
Total	175	39	$7,454,920

ITEM 3. LEGAL PROCEEDINGS

The Company and the Bank are defendants, from time to time, in legal actions arising from transactions conducted in the ordinary course of business The Company and Bank believe, after consultations with legal counsel, that the ultimate liability, if any, arising from such actions will not have a material adverse effect on their financial statements

ITEM 4. [REMOVED AND RESERVED]

The cash dividends declared per share by quarter (and paid on the first business day of the subsequent quarter except for the fourth quarter of 2010 which was paid on December 31, 2010) for the Company's last two fiscal years were as follows

	2010	2009
Fourth quarter	$0 1750	$0.1550
Third quarter	0 1550	0 1375
Second quarter	0 1550	0 1375
First quarter	0 1550	0 1375

Recent Sales of Unregistered Securities

None

Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2010, the Company had outstanding stock options granted under three stock option plans, all of which were approved by the Company's shareholders As of such date, the Company also had outstanding stock options granted under stock option plans that it assumed in connection with various acquisition transactions The following table provides information as of December 31, 2010 regarding the Company's equity compensation plans under which the Company's equity securities are authorized for issuance

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	695,580[1]	$27 24	600,524
Equity compensation plans not approved by security holders	—	—	—
Total	695,580	$27 24	600,524

(1) Includes (a) 15,566 shares which may be issued upon exercise of options outstanding assumed by the Company in connection with the acquisition of SNB Bancshares, Inc at a weighted average exercise price of $16 70 and (b) 16,000 shares which may be issued upon exercise of options outstanding assumed by the Company in connection with the acquisition Texas United Bancshares, Inc at a weighted average exercise price of $18 81

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of the Company for, and as of the end of, each of the years in the five-year period ended December 31, 2010 is derived from and should be read in conjunction with the Company's consolidated financial statements and the notes thereto appearing elsewhere in this Annual Report on Form 10-K

	As of and for the Years Ended December 31,				
	2010[1]	2009	2008	2007	2006
	(Dollars in thousands, except per share data)				
Income Statement Data:					
Interest income	$ 384,537	$ 409,614	$ 347,878	$ 340,608	$ 231,739
Interest expense	66,389	102,513	120,149	140,173	93,594
Net interest income	318,148	307,101	227,729	200,435	138,145
Provision for credit losses	13,585	28,775	9,867	760	504
Net interest income after provision for credit losses	304,563	278,326	217,862	199,675	137,641
Noninterest income	53,833	60,097	52,370	52,923	33,982
Noninterest expense	166,594	169,700	143,796	126,843	77,669
Income before taxes	191,802	168,723	126,436	125,755	93,954
Provision for income taxes	64,094	56,844	41,929	41,604	32,229
Net income	$ 127,708	$ 111,879	$ 84,507[2]	$ 84,151[2]	$ 61,725
Per Share Data:					
Basic earnings per share	$ 2 74	$ 2 42	$ 1 87[2]	$ 1 96[2]	$ 1 96
Diluted earnings per share	2 73	2 41	1 86[2]	1 94[2]	1 94
Book value per share	31 11	29 03	27 24	25 51	20.26
Cash dividends declared	0 64	0 57	0 51	0 46	0 41
Dividend payout ratio	23 37%	23 45%	27 66%	24 15%	21 10%
Weighted average shares outstanding (basic) (in thousands)	46,621	46,177	45,300	42,928	31,491
Weighted average shares outstanding (diluted) (in thousands)	46,832	46,354	45,479	43,310	31,893
Shares outstanding at end of period (in thousands)	46,684	46,541	46,080	44,188	32,793
Balance Sheet Data (at period end):					
Total assets	$9,476,572	$8,850,400	$9,072,364	$6,372,343	$4,586,769
Securities	4,617,116	4,118,290	4,160,401	1,857,606	1,590,303
Loans	3,485,023	3,376,703	3,567,057	3,142,971	2,176,507
Allowance for credit losses	51,584	51,863	36,970	32,543	23,990
Total goodwill and intangibles	953,034	912,372	912,850	799,978	447,371
Other real estate owned	11,053	7,829	4,450	10,207	140
Total deposits	7,454,920	7,258,550	7,303,297	4,966,407	3,725,678
Borrowings and notes payable	374,433	98,736	325,412	116,047	73,633
Junior subordinated debentures	92,265[3]	92,265	92,265	112,885	100,519
Total shareholders' equity	1,452,339	1,351,245	1,255,106	1,127,431	664,411

(Table continued on next page)

(4) Includes a $14 0 million pre-tax, or $9 1 million after-tax, impairment charge on write-down of securities, which resulted in a decrease of return on average assets of 13 basis points and a decrease of return on average equity of 76 basis points for the year ended December 31, 2008

(5) Includes a $10 0 million pre-tax, or $6 5 million after-tax, impairment charge on write-down of securities, which resulted in a decrease of return on average assets of 11 basis points and a decrease of return on average equity of 63 basis points for the year ended December 31, 2007

(6) Calculated by dividing total noninterest expense, excluding credit loss provisions and impairment write-down on securities, by net interest income plus noninterest income, excluding net gains and losses on the sale of securities and assets Additionally, taxes are not part of this calculation

(7) At period end, except for net charge-offs to average loans and average shareholders' equity to average total assets, which is for periods ended at such dates

(8) Nonperforming loans consist of nonaccrual loans, loans contractually past due 90 days or more, restructured loans and any other loan management deems to be nonperforming

- changes in statutes and government regulations or their interpretations applicable to financial holding companies and the Company's present and future banking and other subsidiaries, including changes in tax requirements and tax rates,
- increases in FDIC deposit insurance assessments,
- potential risk of environmental liability associated with lending activities,
- the potential payment of interest on demand deposit accounts in order to effectively compete for clients,
- acts of terrorism, an outbreak of hostilities or other international or domestic calamities, weather or other acts of God and other matters beyond the Company's control, and
- other risks and uncertainties listed from time to time in the Company's reports and documents filed with the Securities and Exchange Commission

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement The Company believes it has chosen these assumptions or bases in good faith and that they are reasonable However, the Company cautions you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material Therefore, the Company cautions you not to place undue reliance on its forward-looking statements The forward-looking statements speak only as of the date the statements are made The Company undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise

Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the major elements of the Company's balance sheets and statements of income This section should be read in conjunction with the Company's consolidated financial statements and accompanying notes and other detailed information appearing elsewhere in this Annual Report on Form 10-K

For the Years Ended December 31, 2010, 2009 and 2008

Overview

The Company generates the majority of its revenues from interest income on loans, service charges on customer accounts and income from investment in securities The revenues are partially offset by interest expense paid on deposits and other borrowings and noninterest expenses such as administrative and occupancy expenses Net interest income is the difference between interest income on earning assets such as loans and securities and interest expense on liabilities such as deposits and borrowings which are used to fund those assets Net interest income is the Company's largest source of revenue The level of interest rates and the volume and mix of earning assets and interest-bearing liabilities impact net interest income and margin The Company has recognized increased net interest income due primarily to an increase in the volume of interest-earning assets

Three principal components of the Company's growth strategy are internal growth, stringent cost control practices and acquisitions, including strategic merger transactions and FDIC assisted transactions The Company focuses on continual internal growth Each banking center is operated as a separate profit center, maintaining separate data with respect to its net interest income, efficiency ratio, deposit growth, loan growth and overall profitability Banking center presidents and managers are accountable for performance in these areas and compensated accordingly The Company also focuses on maintaining stringent cost control practices and policies The Company has centralized many of its critical operations, such as data processing and loan processing Management believes that this centralized infrastructure can accommodate substantial additional growth while enabling the Company to minimize operational costs through certain economies of scale The Company also intends to continue to seek expansion opportunities During 2008, the Company acquired six (6) branches of Banco Popular North America in January, completed the acquisition of 1st Choice Bancorp, Inc on June 1 which added one (1) banking center and assumed $3 6 billion in deposits and acquired certain assets from the FDIC acting in its capacity as receiver for Franklin Bank in November which initially added forty-five believes is adequate for estimated losses in the Company's loan portfolio Based on an evaluation of the loan portfolio, management presents a monthly review of the allowance for credit losses to the Bank's Board of Directors, indicating any change in the allowance since the last review and any recommendations as to adjustments in the allowance In making its evaluation, management considers factors such as historical loan loss experience, industry diversification of the Company's commercial loan portfolio, the amount of nonperforming assets and related collateral, the volume, growth and composition of the Company's loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the Company's loan portfolio through its internal loan review process and other relevant factors Portions of the allowance may be allocated for specific credits, however, the entire allowance is available for any credit that, in management's judgment, should be charged off Charge-offs occur when loans are deemed to be uncollectible The allowance for credit losses includes allowance allocations calculated in accordance with FASB ASC Topic 310, "*Receivables*," and allowance allocations determined in accordance with FASB ASC Topic 450, "*Contingencies* "

Goodwill and Intangible Assets—Goodwill and intangible assets that have indefinite useful lives are subject to an impairment test at least annually, or more often, if events or circumstances indicate that it is more likely than not that the fair value of Prosperity Bank, the Company's only reporting unit with assigned goodwill, is below the carrying value of its equity Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of the Company's reporting unit compared with its carrying value If the carrying amount exceeds the fair value of the reporting unit, a second test is completed comparing the implied fair value of the reporting unit's goodwill to its carrying value to measure the amount of impairment Other identifiable intangible assets that are subject to amortization are amortized on an accelerated basis over the years expected to be benefited, which the Company believes is between eight and ten years These amortizable intangible assets are reviewed for impairment if circumstances indicate their value may not be recoverable based on a comparison of fair value to carrying value Based on the Company's annual goodwill impairment test as of September 30, 2010, management does not believe any of its goodwill is impaired as of December 31, 2010 because the fair value of the Company's equity exceeded its carrying value While the Company believes no impairment existed at December 31, 2010 under accounting standards applicable at that date, different conditions or assumptions, or changes in cash flows or profitability, if significantly negative or unfavorable, could have a material adverse effect on the outcome of the Company's impairment evaluation and financial condition or future results of operations

Stock-Based Compensation—The Company accounts for stock-based employee compensation plans using the fair value-based method of accounting in accordance with FASB ASC Topic 718, *Stock Compensation* ASC 718 was effective for companies in 2006, however, the Company had been recognizing compensation expense since January 1, 2003 The Company's results of operations reflect compensation expense for all employee stock-based compensation, including the unvested portion of stock options granted prior to 2003 ASC 718 requires that management make assumptions including stock price volatility and employee turnover that are utilized to measure compensation expense The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model This model requires the input of subjective assumptions

Other-Than-Temporarily Impaired Securities—The Company's available for sale securities portfolio is reported at fair value When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent the fair market value is below amortized cost, additional analysis is performed to determine whether an impairment exists Available for sale and held to maturity securities are analyzed quarterly for possible other-than-temporary impairment The analysis considers (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, (iii) whether the market decline was affected by macroeconomic conditions, and (iv) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject to judgment If actual information or conditions are different than estimated, the extent of the impairment of the security may be different than previously estimated, which could have a material effect on the Company's results of operations and financial condition

The following table presents, for the periods indicated, the total dollar amount of average balances, interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates Except as indicated in the footnotes, no tax-equivalent adjustments were made and all average balances are daily average balances Any nonaccruing loans have been included in the table as loans carrying a zero yield

	Years Ended December 31,								
	2010			2009			2008		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)								
Assets									
Interest-earning assets									
Loans	$3,394,502	$209,711	6 18%	$3,455,761	$219,320	6 35%	$3,250,447	$227,466	7 00%
Securities[1]	4,508 918	174,707	3 87	4,052,989	190,106	4 69	2 409 758	118,185	4 90
Federal funds sold and other temporary investments	48,944	119	0 24	77,328	188	0 24	163,746	2,227	1 36
Total interest-earning assets	7,952,364	384 537	4 84%	7,586,078	409,614	5 40%	5,823,951	347,878	5 97%
Less allowance for credit losses	(52,151)			(42,279)			(33,004)		
Total interest-earning assets, net of allowance	7,900,213			7,543,799			5 790,947		
Noninterest-earning assets	1,378,167			1,307,895			1,234,471		
Total assets	$9,278,380			$8,851,694			$7,025,418		
Liabilities and shareholders' equity									
Interest-bearing liabilities									
Interest-bearing demand deposits	$1,336,400	$ 8,994	0 67%	$1,082,332	$ 8,587	0 79%	$ 791,739	$ 7,967	1 01%
Savings and money market accounts	2,189,695	15,159	0 69	1,910,721	19,405	1 02	1,411,142	27,770	1 97
Certificates of deposit	2,438,968	37,356	1 53	2,730,263	67,842	2 48	1,997,152	71,955	3 60
Junior subordinated debentures	92,265	3,250	3 52	92,265	3,760	4 08	99,998	6,439	6 44
Securities sold under repurchase agreements	81,623	595	0 73	93,625	1,166	1 25	84,289	2,388	2 83
Other borrowings	109,260	1,035	0 95	75,747	1,753	2 31	124,619	3,630	2 91
Total interest-bearing liabilities	6,248,211	66,389	1 06%	5,984,953	102,513	1 71%	4,508,939	120,149	2 66%
Noninterest-bearing liabilities									
Noninterest-bearing demand deposits	1,567,676			1,488,699			1,271,408		
Other liabilities	56,334			73,293			52,778		
Total liabilities	7,872,221			7,546,945			5,833,125		
Shareholders' equity	1,406,159			1,304,749			1,192,293		
Total liabilities and shareholders' equity	$9,278,380			$8,851,694			$7,025,418		
Net interest rate spread			3 78%			3 69%			3 31%
Net interest income and margin[2]		$318,148	4 00%		$307,101	4 05%		$227,729	3 91%
Net interest income and margin (tax-equivalent basis)[3]		$321,049	4 04%		$309,866	4 08%		$230,592	3 96%

(1) Yield is based on amortized cost and does not include any component of unrealized gains or losses

(2) The net interest margin is equal to net interest income divided by average interest-earning assets

(3) In order to make pretax income and resultant yields on tax-exempt investments and loans comparable to those on taxable investments and loans, a tax-equivalent adjustment has been computed using a federal income tax rate of 35% for the years ended December 31, 2010, 2009 and 2008 and other applicable effective tax rates

The following table presents, for the periods indicated, the major categories of noninterest income

	Years Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Non-sufficient Funds (NSF) fees	$27,580	$31,094	$26,233
Debit card and ATM card income	12,581	10,795	8,771
Service charges on deposit accounts	10,089	9,853	10,781
Banking related service fees	2,166	2,009	1,963
Brokered mortgage income	205	305	330
Trust and investment income	624	585	393
Income from leased assets	294	318	1,079
Bank Owned Life Insurance income (BOLI)	1,658	1,344	2,011
(Losses) gains on sales of assets (net)	(3,860)(1)	839(2)	(1,486)(3)
Gain on held for sale loans	—	—	229
Other noninterest income	2,496	2,955	2,066
Total noninterest income	$53,833	$60,097	$52,370

(1) Includes net losses on the sale of various other real estate properties of $4 3 million and gains on the sale of real estate

(2) Includes net gains on the sale of various other real estate properties of $417,000 and gains on the sale of real estate

(3) Includes net losses on the sale of various other real estate properties of $2 3 million and gains on the sale of real estate.

Noninterest Expense

For the year ended December 31, 2010, noninterest expense totaled $166 6 million, a decrease of $3 1 million or 1 8% compared with $169 7 million for the same period in 2009 This decrease was principally due to reductions in FDIC assessments and a decrease in core deposit intangibles amortization For the year ended December 31, 2009, noninterest expense totaled $169 7 million, an increase of $25 9 million or 18 0% compared with $143 8 million for the same period in 2008 This increase was principally due to increases in salaries and employee benefits, net occupancy and increases in FDIC assessments, partially offset by a $14 0 million impairment write-down on Fannie Mae and Freddie Mac preferred stock in 2008 discussed further under "—Securities" These items and other changes in the various components of noninterest expense are discussed in more detail below

The following table presents, for the periods indicated, the major categories of noninterest expense

	Years Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Salaries and employee benefits	$ 86,980	$ 84,395	$ 70,818
Non-staff expenses			
Net occupancy	15,153	14,910	12,470
Depreciation	8,313	8,226	7,666
Data processing	6,222	6,449	5,580
Regulatory assessments and FDIC insurance	11,039	13,662	1,843
Ad valorem and franchise taxes	3,947	3,561	2,884
Core deposit intangibles amortization	9,016	10,076	9,797
Communications(1)	7,781	8,466	6,582
Impairment write-down on securities	—	—	14,025
Other real estate	3,483	3,205	417
Other	14,660	16,750	11,714
Total noninterest expense(2)	$166,594	$169,700	$143,796

(1) Communications expense includes telephone, data circuits, postage and courier expenses

(2) Total noninterest expense includes $3 0 million, $1 5 million and $1 5 million in 2010, 2009 and 2008, respectively, in stock-based compensation expense

Efficiency Ratio The efficiency ratio is a supplemental financial measure utilized in management's internal evaluation of the Company and is not defined under generally accepted accounting principles The efficiency ratio is calculated by dividing total noninterest expense, excluding credit loss provisions and impairment write-down on available for sale securities, by net interest income plus noninterest income, excluding net gains and losses on the sale of securities and on the sale of assets. Taxes are not part of this calculation An increase in the efficiency ratio indicates that more resources are being utilized to generate the same volume of income, while a decrease would indicate a more efficient allocation of resources The Company's efficiency ratio was 44 83% for the year ended December 31, 2010, compared with 46 27% for the year ended December 31, 2009 The Company's efficiency ratio was 46 51% for the year ended December 31, 2008

Income Taxes

The amount of federal income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income, the amount of nondeductible interest expense and the amount of other nondeductible expenses For the year ended December 31, 2010, income tax expense was $64 1 million compared with $56 8 million for the year ended December 31, 2009 and $41 9 million for the year ended December 31, 2008 The increases were primarily attributable to higher pretax net earnings which resulted primarily from an increase in net interest income for the year ended December 31, 2010 compared with the same period in 2009 and 2008 The effective tax rate for the years ended December 31, 2010, 2009 and 2008 was 33 4%, 33 7% and 33 2%, respectively The effective income tax rates differed from the U S statutory rate of 35% during the comparable periods primarily due to the effect of tax-exempt income from loans and securities

Impact of Inflation

The Company's consolidated financial statements and related notes included in this Annual Report on Form 10-K have been prepared in accordance with generally accepted accounting principles These require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative value of money over time due to inflation or recession

Unlike many industrial companies, substantially all of the Company's assets and liabilities are monetary in nature As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation Interest rates may not necessarily move in the same direction or in the same magnitude as the prices of goods and services However, other operating expenses do reflect general levels of inflation

Financial Condition

Loan Portfolio

At December 31, 2010, total loans were $3 485 billion, an increase of $108 3 million or 3 2% compared with $3 377 billion at December 31, 2009 The increase was primarily attributable to U S Bank and First Bank acquisitions which added $28 4 million and $54 0 million in loans at December 31, 2010, respectively At December 31, 2010, total loans were 46 7% of deposits and 36 8% of total assets At December 31, 2009, total loans were $3 377 billion, a decrease of $190 4 million or 5 3% compared with $3 567 billion at December 31, 2008 The decrease was primarily attributable to a reduction in construction and land development loans and commercial and industrial loans due to decreased demand as a result of a general weakening of the economy At December 31, 2009, total loans were 46 5% of deposits and 38 2% of total assets

Commercial Mortgages The Company makes commercial mortgage loans collateralized by owner-occupied and non-owner-occupied real estate to finance the purchase of real estate The Company's commercial mortgage loans are collateralized by first liens on real estate, typically have variable interest rates (or five year or less fixed rates) and amortize over a 15 to 20 year period Payments on loans secured by such properties are often dependent on the successful operation or management of the properties Accordingly, repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans The Company seeks to minimize these risks in a variety of ways, including giving careful consideration to the property's operating history, future operating projections, current and projected occupancy, location and physical condition in connection with underwriting these loans The underwriting analysis also includes credit verification, analysis of global cash flow, appraisals and a review of the financial condition of the borrower

1-4 Family Residential Loans The Company's lending activities also includes the origination of 1-4 family residential mortgage loans collateralized by owner-occupied residential properties located in the Company's market areas The Company offers a variety of mortgage loan products which generally are amortized over five to 25 years Loans collateralized by 1-4 family residential real estate generally have been originated in amounts of no more than 89% of appraised value or have mortgage insurance The Company requires mortgage title insurance and hazard insurance Other than with respect to mortgage banking activities acquired in the TXUI acquisition, the Company has elected to keep all 1-4 family residential loans for its own account rather than selling such loans into the secondary market By doing so, the Company is able to realize a higher yield on these loans, however, the Company also incurs interest rate risk as well as the risks associated with nonpayments on such loans

Construction and Land Development Loans The Company makes loans to finance the construction of residential and, to a lesser extent, nonresidential properties Construction loans generally are collateralized by first liens on real estate and have floating interest rates The Company conducts periodic inspections, either directly or through an agent, prior to approval of periodic draws on these loans Underwriting guidelines similar to those described above are also used in the Company's construction lending activities Construction loans involve additional risks attributable to the fact that loan funds are advanced upon the security of a project under construction, and the project is of uncertain value prior to its completion Because of uncertainties inherent in estimating construction costs, the market value of the completed project and the effects of governmental regulation on real property, it can be difficult to accurately evaluate the total funds required to complete a project and the related loan to value ratio As a result of these uncertainties, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan If the Company is forced to foreclose on a project prior to completion, there is no assurance that the Company will be able to recover all of the unpaid portion of the loan In addition, the Company may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate period of time. While the Company has underwriting procedures designed to identify what it believes to be acceptable levels of risks in construction lending, no assurance can be given that these procedures will prevent losses from the risks described above

Agriculture Loans The Company provides agriculture loans for short-term crop production, including rice, cotton, milo and corn, farm equipment financing and agriculture real estate financing The Company evaluates agriculture borrowers primarily based on their historical profitability, level of experience in their particular agriculture industry, overall financial capacity and the availability of secondary collateral to withstand economic and natural variations common to the industry Because agriculture loans present a higher level of risk associated with events caused by nature, the Company routinely makes on-site visits and inspections in order to identify and monitor such risks

Consumer Loans Consumer loans made by the Company include direct "A"-credit automobile loans, recreational vehicle loans, boat loans, home improvement loans, home equity loans, personal loans (collateralized and uncollateralized) and deposit account collateralized loans The terms of these loans typically range from 12 to 120 months and vary based upon the nature of collateral and size of loan Generally, consumer

$14 4 million at December 31, 2008 The nonperforming assets at December 31, 2010 consisted of one hundred twenty-one (121) separate credits or ORE properties If interest on nonaccrual loans had been accrued under the original loan terms, approximately $701,000, $434,000 and $121,000 would have been recorded as income for the years ended December 31, 2010, 2009 and 2008, respectively

The following table presents information regarding past due loans and nonperforming assets at the dates indicated

	December 31,				
	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Nonaccrual loans	$ 4,439	$ 6,079	$ 2,142	$ 1,035	$ 181
Accruing loans 90 or more days past due	189	2,332	7,594	4,092	767
Total nonperforming loans	4,628	8,411	9,736	5,127	948
Repossessed assets	161	116	182	56	32
Other real estate	11,053	7,829	4,450	10,207	140
Total nonperforming assets	$15,842	$16,356	$14,368	$15,390	$1,120
Nonperforming assets to total loans and other real estate	0 45%	0 48%	0 40%	0 49%	0 05%
Nonperforming assets to average earning assets	0.20%	0 22%	0 25%	0 31%	0 03%

Allowance for Credit Losses

The following table presents, as of and for the periods indicated, an analysis of the allowance for credit losses and other related data

	Years Ended December 31,				
	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Average loans outstanding	$3,394,502	$3,455,761	$3,250,447	$3,092,797	$2,037,379
Gross loans outstanding at end of period	$3,485,023	$3,376,703	$3,567,057	$3,142,971	$2,176,507
Allowance for credit losses at beginning of period	$ 51,863	$ 36,970	$ 32,543	$ 23,990	$ 17,203
Balance acquired with acquisitions	—	—	2,182	13,386	7,054
Provision for credit losses	13,585	28,775	9,867	760	504
Charge-offs					
Commercial and industrial	(2,863)	(3,816)	(2,799)	(1,045)	(353)
Real estate and agriculture	(10,549)	(8,585)	(3,650)	(4,143)	(128)
Consumer	(2,071)	(2,998)	(2,733)	(2,974)	(696)
Recoveries					
Commercial and industrial	346	275	308	1,175	95
Real estate and agriculture	444	236	220	208	59
Consumer	829	1,006	1,032	1,186	252
Net charge-offs	(13,864)	(13,882)	(7,622)	(5,593)	(771)
Allowance for credit losses at end of period	$ 51,584	$ 51,863	$ 36,970	$ 32,543	$ 23,990
Ratio of allowance to end of period loans	1 48%	1 54%	1 04%	1 04%	1 10%
Ratio of net charge-offs to average loans	0 41	0 40	0 23	0 18	0 04
Ratio of allowance to end of period nonperforming loans	1,114 6	616 6	379 7	634 7	2,530 6

and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral,

- for agricultural real estate loans, the experience and financial capability of the borrower, projected debt service coverage of the operations of the borrower and loan to value ratio, and
- for non-real estate agricultural loans, the operating results, experience and financial capability of the borrower, historical and expected market conditions and the value, nature and marketability of collateral

In addition, for each category, the Company considers secondary sources of income and the financial strength and credit history of the borrower and any guarantors

At December 31, 2010, the allowance for credit losses totaled $51 6 million, or 1 48% of total loans At December 31, 2009, the allowance aggregated $51.9 million or 1 54% of total loans and at December 31, 2008, the allowance was $37 0 million or 1 04% of total loans

The following tables show the allocation of the allowance for credit losses among various categories of loans and certain other information as of the dates indicated The allocation is made for analytical purposes and is not necessarily indicative of the categories in which future losses may occur The total allowance is available to absorb losses from any loan category

	December 31,			
	2010		2009	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
	(Dollars in thousands)			
Balance of allowance for credit losses applicable to				
Commercial and industrial	$ 3,891	11 7%	$ 5,107	11 6%
Real estate	46,446	83 7	44,799	83 4
Agriculture	92	1 2	221	1 3
Consumer and other	1,155	3 4	1,736	3 7
Unallocated	—	—	—	—
Total allowance for credit losses	$51,584	100 0%	$51,863	100 0%

	December 31,					
	2008		2007		2006(1)	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
	(Dollars in thousands)					
Balance of allowance for credit losses applicable to						
Commercial and industrial	$ 6,159	13 5%	$ 4,790	13 9%	$ 3,660	12 9%
Real estate	27,953	80 8	22,505	80 0	18,140	82 0
Agriculture	313	1 3	506	1 6	131	1 2
Consumer and other	2,545	4 4	2,153	4 5	732	3 9
Unallocated	—	—	2,589	—	1,327	—
Total allowance for credit losses	$36,970	100 0%	$32,543	100 0%	$23,990	100 0%

(1) In 2006, the Company revised its allowance methodology to provide for more specific allocation of its reserves The revised methodology did not have a material impact on the Company's determination of the overall allowance for credit losses

The following table summarizes the contractual maturity of securities and their weighted average yields as of December 31, 2010 The contractual maturity of a mortgage-backed security is the date at which the last underlying mortgage matures Available-for-sale securities are shown at fair value and held-to-maturity securities are shown at amortized cost Other securities are included in the corporate debt securities category For purposes of the table below, tax-exempt states and political subdivisions are calculated on a tax equivalent basis The QZAB and QSCB bonds are not calculated on a tax equivalent basis and the bonds generate tax credits as follows QZAB at 7 18% and the QSCB's at 6 11% and 5 95% The tax credits are shown as a reduction to federal income tax expense

	December 31, 2010									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands)									
U S Treasury securities and obligations of U S government agencies	$ 2,344	5 06%	$ 8,652	5 13%	$ —	—	$ —	—	$ 10,996	5 12%
States and political subdivisions	1,155	6 39	7,121	6 37	31,161	6 15%	37,471	6 24%	76,908	6 22
Corporate debt securities and other	7,549	3 84	3,176	7 65	—	—	—	—	10,725	4 97
Collateralized mortgage obligations	298	4 45	9,419	4 96	89,112	3 64	345,973	3 07	444,802	3 22
Mortgage-backed securities	1,901	4 14	120,349	4 27	2,033,124	3 84	1,897,085	4 05	4,052,459	3 95
Qualified Zone Academy Bond (QZAB) and Qualified School Construction Bonds (QSCB)	8,326	2 00	—	—	—	—	12,900	1 58	21,226	1 74
Total	$21,573	3 43%	$148,717	4 54%	$2,153,397	3 86%	$2,293,429	3 93%	$4,617,116	3 91%

The contractual maturity of mortgage-backed securities and collateralized mortgage obligations is not a reliable indicator of their expected life because borrowers have the right to prepay their obligations at any time Mortgage-backed securities monthly pay downs cause the average lives of the securities to be much different than their stated lives The weighted average life of the Company's complete portfolio is 3 4 years with an effective duration of 3 1 years at December 31, 2010

At December 31, 2010 and 2009, the Company did not own securities of any one issuer (other than the U S government and its agencies) for which aggregate adjusted cost exceeded 10% of the consolidated shareholders' equity at such respective dates

The average yield of the securities portfolio was 3 87% in 2010 compared with 4 69% in 2009 and 4 90% in 2008 The 82 basis point decrease in 2010 was primarily due to the Company reinvesting funds at lower rates in 2010 compared to 2009 The overall growth in the average securities portfolio over the comparable periods was primarily funded by deposit growth

The following table summarizes the carrying value by classification of securities as of the dates shown

	December 31,				
	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Available-for-sale	$ 428,553	$ 599,503	$ 817,244	$ 260,444	$ 434,331
Held-to-maturity	4,188,563	3,518,787	3,343,157	1,597,162	1,155,972
Total .	$4,617,116	$4,118,290	$4,160,401	$1,857,606	$1,590,303

The following tables present the amortized cost and fair value of securities classified as held-to-maturity at December 31, 2010, 2009 and 2008

	December 31, 2010				December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)				(Dollars in thousands)			
U S Treasury securities and obligations of U S government agencies	$ 10,996	$ 789	$ —	$ 11,785	$ 40,701	$ 1,621	$ —	$ 42,322
States and political subdivisions	36,394	639	(1,155)	35,878	32,895	809	(1,050)	32,654
Corporate debt securities	1,500	176	—	1,676	1,500	10	—	1,510
Collateralized mortgage obligations	443,859	7,272	(429)	450,702	295,754	3,652	(1,156)	298,250
Mortgage-backed securities	3,682,914	118,886	(4,259)	3,797,541	3,135,037	111,045	(22)	3,246,060
Qualified School Construction Bonds (QSCB)	12,900	325	—	13,225	12,900	57	—	12,957
Total	$4,188,563	$128,087	$(5,843)	$4,310,807	$3,518,787	$117,194	$(2,228)	$3,633,753

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U S Treasury securities and obligations of U S government agencies	$ 60,044	$ 2,328	$ —	$ 62,372
States and political subdivisions	34,561	201	(3,152)	31,610
Corporate debt securities	1,500	63	—	1,563
Collateralized mortgage obligations	177,952	2,222	(1,012)	179,162
Mortgage-backed securities	3,069,100	65,236	(62)	3,134,274
Total	$3,343,157	$70,050	$(4,226)	$3,408,981

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under ASC Topic 320, "Investments—Debt and Equity Securities " Certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in ASC Topic 325, "Investments-Other " The Company currently does not own any securities that are accounted for under ASC Topic 325

In determining OTTI under ASC Topic 320, management considers many factors, including (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, (iii) whether the market decline was affected by macroeconomic conditions and (iv) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery The assessment of whether an other-than-temporary decline exists purchased at a discount will obtain higher net yields in a decreasing interest rate environment. As interest rates rise, the opposite will generally be true. During a period of increasing interest rates, fixed rate mortgage-backed securities do not tend to experience heavy prepayments of principal and consequently, the average life of this security will be lengthened. If interest rates begin to fall, prepayments will increase, thereby shortening the estimated life of this security. At December 31, 2010, 46.8% of the mortgage-backed securities held by the Company had contractual final maturities of more than ten years with a weighted average life of 3.7 years.

Collateralized mortgage obligations ("CMOs") are bonds that are backed by pools of mortgages. The pools can be Ginnie Mae, Fannie Mae or Freddie Mac pools or they can be private-label pools. CMOs are designed so that the mortgage collateral will generate a cash flow sufficient to provide for the timely repayment of the bonds. The mortgage collateral pool can be structured to accommodate various desired bond repayment schedules, provided that the collateral cash flow is adequate to meet scheduled bond payments. This is accomplished by dividing the bonds into classes to which payments on the underlying mortgage pools are allocated in different order. The bond's cash flow, for example, can be dedicated to one class of bondholders at a time, thereby increasing call protection to bondholders. In private-label CMOs, losses on underlying mortgages are directed to the most junior of all classes and then to the classes above in order of increasing seniority, which means that the senior classes have enough credit protection to be given the highest credit rating by the rating agencies.

Deposits

The Company's lending and investing activities are primarily funded by deposits. The Company offers a variety of deposit accounts having a wide range of interest rates and terms including demand, savings, money market and time accounts. The Company relies primarily on competitive pricing policies and customer service to attract and retain these deposits. The Company does not have or accept any brokered deposits.

Total deposits at December 31, 2010 were $7.45 billion, an increase of $196.4 million or 2.7% compared with $7.26 billion at December 31, 2009. The increase is primarily attributed to the deposits assumed in the U.S. Bank and First Bank acquisitions. At December 31, 2010, deposits assumed from these two acquisitions totaled $638.5 million. Total deposits at December 31, 2009 were $7.26 billion, a decrease of $44.7 million or 0.6% compared with $7.30 billion at December 31, 2008. Noninterest-bearing deposits at December 31, 2010 were $1.67 billion compared with $1.49 billion at December 31, 2009, an increase of $180.6 million or 12.1%. Noninterest-bearing deposits were $1.49 billion at December 31, 2009, a decrease of $30.4 million or 2.0% compared with $1.52 billion at December 31, 2008. Interest-bearing deposits at December 31, 2010 of $5.78 billion represented a $15.8 million increase compared with $5.77 billion at December 31, 2009. Interest-bearing deposits at December 31, 2009 were $5.77 billion, down $14.4 million or 0.2% compared with $5.78 billion at December 31, 2008. Total deposits at December 31, 2008 were $7.30 billion. There were no major concentrations of deposits at December 31, 2010, 2009 or 2008.

The daily average balances and weighted average rates paid on deposits for each of the years ended December 31, 2010, 2009 and 2008 are presented below.

	Years Ended December 31,					
	2010		2009		2008	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
			(Dollars in thousands)			
Interest-bearing checking	$1,336,400	0.67%	$1,082,332	0.79%	$ 791,739	1.01%
Regular savings	377,456	0.46	320,530	0.56	253,090	0.74
Money market savings	1,812,239	0.74	1,590,191	1.11	1,158,052	2.24
Time deposits	2,438,968	1.53	2,730,263	2.48	1,997,152	3.60
Total interest-bearing deposits	5,965,063	1.03	5,723,316	1.67	4,200,033	2.56
Noninterest-bearing deposits	1,567,676	—	1,488,699	—	1,271,408	—
Total deposits	$7,532,739	0.82%	$7,212,015	1.33%	$5,471,441	1.97%

A summary of pertinent information related to the Company's eight issues of junior subordinated debentures outstanding at December 31, 2010 is set forth in the table below

Description	Issuance Date	Trust Preferred Securities Outstanding	Interest Rate[1]	Junior Subordinated Debt Owed to Trusts	Maturity Date[2]
Prosperity Statutory Trust II	July 31, 2001	$15,000,000	3 month LIBOR + 3 58%, not to exceed 12 50%	$15,464,000	July 31, 2031
Prosperity Statutory Trust III	Aug 15, 2003	12,500,000	3 month LIBOR + 3 00%[3]	12,887,000	Sept 17, 2033
Prosperity Statutory Trust IV	Dec 30, 2003	12,500,000	3 month LIBOR + 2 85%[4]	12,887,000	Dec 30, 2033
SNB Capital Trust IV[5]	Sept 25, 2003	10,000,000	3 month LIBOR + 3 00%	10,310,000	Sept 25, 2033
TXUI Statutory Trust I[6]	Sept 07, 2000	7,000,000	10 60%	7,210,000	Sept 07, 2030
TXUI Statutory Trust II[6]	Dec 19, 2003	5,000,000	3 month LIBOR + 2 85%[7]	5,155,000	Dec 19, 2033
TXUI Statutory Trust III[6]	Nov 30, 2005	15,500,000	3 month LIBOR + 1 39%	15,980,000	Dec 15, 2035
TXUI Statutory Trust IV[6]	Mar 31, 2006	12,000,000	3 month LIBOR + 1 39%	12,372,000	June 30, 2036
				$92,265,000	

(1) The 3-month LIBOR in effect as of December 31, 2010 was 0 30281%
(2) All debentures are callable five years from issuance date except for TXUI Statutory Trust I which is callable ten years from issuance date
(3) The debentures bore a fixed interest rate of 6 50% until September 17, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 3 00%
(4) The debentures bore a fixed interest rate of 6 50% until December 30, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2 85%
(5) Assumed in connection with the SNB acquisition on April 1, 2006
(6) Assumed in connection with the TXUI acquisition on January 31, 2007
(7) The debentures bore a fixed interest rate until January 23, 2009, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2 85%

Each of the trusts is a capital or statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds in the Company's junior subordinated debentures. The preferred trust securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust The common securities of each trust are wholly owned by the Company Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated debentures The debentures, which are the only assets of each trust, are subordinate and junior in right of payment to all of the Company's present and future senior indebtedness The Company has fully and unconditionally guaranteed each trust's obligations under the trust securities issued by such trust to the extent not paid or made by each trust, provided such trust has funds available for such obligations

Under the provisions of each issue of the debentures, the Company has the right to defer payment of interest on the debentures at any time, or from time to time, for periods not exceeding five years If interest payments on either issue of the debentures are deferred, the distributions on the applicable trust preferred securities and common securities will also be deferred

The following table sets forth the Company's interest rate sensitivity analysis at December 31, 2010

	Volumes Subject to Repricing Within				
	0-30 days	31-180 days	181-365 days	Greater than one year	Total
	(Dollars in thousands)				
Interest-earning assets					
Securities (excluding unrealized gain of $25 9 million)	$ 117,968	$ 509,472	$ 545,199	$3,422,470	$4,595,109
Loans	764,343	285,206	317,032	2,118,442	3,485,023
Federal funds sold and other temporary investments	7,431	—	—	—	7,431
Total interest-earning assets	$ 889,742	$ 794,678	$ 862,231	$5,540,912	$8,087,563
Interest-bearing liabilities					
Demand, money market and savings deposits	$ 3,583,706	$ —	$ —	$ —	3,583,706
Certificates of deposit and other time deposits	213,829	914,293	705,601	364,301	2,198,024
Junior subordinated debentures	85,265	—	7,000	—	92,265
Securities sold under repurchase agreements	60,659	—	—	—	60,659
Other borrowings	360,238	502	1,041	12,652	374,433
Total interest-bearing liabilities	$ 4,303,697	$ 914,795	$ 713,642	$ 376,953	$6,309,087
Period GAP	$(3,413,955)	$ (120,117)	$ 148,589	$5,163,959	$1,778,476
Cumulative GAP	$(3,413,955)	$(3,534,072)	$(3,385,483)	$1,778,476	
Period GAP to total assets	(36 03)%	(1 27)%	1 57 %	54 49%	
Cumulative GAP to total assets	(36 03)%	(37 29)%	(35 72)%	18 77%	

While the GAP position is a useful tool in measuring interest rate risk and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates solely on that measure, without accounting for alterations in the maturity or repricing characteristics of the balance sheet that occur during changes in market interest rates For example, the GAP position reflects only the prepayment assumptions pertaining to the current rate environment Assets tend to prepay more rapidly during periods of declining interest rates than during periods of rising interest rates Because of this and other risk factors not contemplated by the GAP position, an institution could have a matched GAP position in the current rate environment and still have its net interest income exposed to increased rate risk Additionally, the Company had $1 673 billion in noninterest-bearing deposits at December 31, 2010 that are not reflected in the table above and are not directly impacted by interest rate changes

The assumptions used are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and the application and timing of various management strategies

In addition to GAP analysis, the Company uses an interest rate risk simulation model and shock analysis to test the interest rate sensitivity of net interest income and the balance sheet, respectively Contractual maturities and repricing opportunities of loans are incorporated in the model as are prepayment assumptions, maturity data and call options within the investment portfolio Assumptions based on past experience are incorporated into the model for nonmaturity deposit accounts The assumptions used are inherently uncertain and, as a result, the

The following table illustrates, during the years presented, the mix of the Company's funding sources and the average assets in which those funds are invested as a percentage of the Company's average total assets for the period indicated Average assets totaled $9 28 billion in 2010 compared to $8 85 billion in 2009

	2010	2009
Source of Funds		
Deposits		
Non-interest-bearing	16 90%	16 82%
Interest-bearing	64 29	64 65
Junior subordinated debentures	0 99	1 04
Securities sold under repurchase agreements	0 88	1 06
Other borrowings	1 18	0.86
Other non-interest-bearing liabilities	0 61	0 83
Shareholders' equity	15 15	14 74
Total	100 00%	100 00%
Uses of Funds		
Loans	36 59%	39 04%
Securities	48 60	45 79
Federal funds sold and other interest-earning assets	0 53	0 87
Other non-interest-earning assets	14 28	14 30
Total	100 00%	100 00%
Average non-interest bearing deposits to total average deposits	20 81%	20 64%
Average loans to average deposits	45 06%	47 92%

The Company's largest source of funds is deposits and its largest uses of funds are securities and loans The Company does not expect a change in the source or use of its funds in the foreseeable future. The Company's average loans decreased 1 8% for the year ended December 31, 2010 compared with the year ended December 31, 2009 The Company predominantly invests excess deposits in government backed securities until the funds are needed to fund loan growth The Company's securities portfolio has a weighted average life of 3 4 years and an effective duration of 3 1 years at December 31, 2010

As of December 31, 2010, the Company had outstanding $492 8 million in commitments to extend credit and $15 2 million in commitments associated with outstanding standby letters of credit Since commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding may not necessarily reflect the actual future cash funding requirements

As of December 31, 2010, the Company had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature

As of December 31, 2010, the Company had cash and cash equivalents of $159 4 million compared with $195 3 million at December 31, 2009 The decrease was primarily due to a decrease in cash and due from banks of $36 0 million

Contractual Obligations

The following table summarizes the Company's contractual obligations and other commitments to make future payments as of December 31, 2010 (other than deposit obligations and securities sold repurchase agreements) The Company's future cash payments associated with its contractual obligations pursuant to its junior subordinated debentures, FHLB notes payable and operating leases as of December 31, 2010 are summarized below Payments for junior subordinated debentures include interest of $67 8 million that will be

Capital Resources

Capital management consists of providing equity to support the Company's current and future operations The Company is subject to capital adequacy requirements imposed by the Federal Reserve Board and the Bank is subject to capital adequacy requirements imposed by the FDIC Both the Federal Reserve Board and the FDIC have adopted risk-based capital requirements for assessing bank holding company and bank capital adequacy These standards define capital and establish minimum capital requirements in relation to assets and off-balance sheet exposure, adjusted for credit risk The risk-based capital standards currently in effect are designed to make regulatory capital requirements more sensitive to differences in risk profiles among bank holding companies and banks, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate relative risk weights The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items

The risk-based capital standards issued by the Federal Reserve Board require all bank holding companies to have "Tier 1 capital" of at least 4 0% and "total risk-based" capital (Tier 1 and Tier 2) of at least 8 0% of total risk-weighted assets "Tier 1 capital" generally includes common shareholders' equity and qualifying perpetual preferred stock together with related surpluses and retained earnings, less deductions for goodwill and various other intangibles "Tier 2 capital" may consist of a limited amount of intermediate-term preferred stock, a limited amount of term subordinated debt, certain hybrid capital instruments and other debt securities, perpetual preferred stock not qualifying as Tier 1 capital, and a limited amount of the general valuation allowance for loan losses The sum of Tier 1 capital and Tier 2 capital is "total risk-based capital "

The Federal Reserve Board has also adopted guidelines which supplement the risk-based capital guidelines with a minimum ratio of Tier 1 capital to average total consolidated tangible assets, or "leverage ratio," of 3 0% for institutions with well diversified risk, including no undue interest rate exposure, excellent asset quality, high liquidity, good earnings, and that are generally considered to be strong banking organizations, rated composite 1 under applicable federal guidelines, and that are not experiencing or anticipating significant growth Other banking organizations are required to maintain a leverage ratio of at least 4 0% These rules further provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain capital positions substantially above the minimum supervisory levels and comparable to peer group averages, without significant reliance on intangible assets

Pursuant to FDICIA, each federal banking agency revised its risk-based capital standards to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risks of nontraditional activities, as well as reflect the actual performance and expected risk of loss on multifamily mortgages The Bank is subject to capital adequacy guidelines of the FDIC that are substantially similar to the Federal Reserve Board's guidelines Also pursuant to FDICIA, the FDIC has promulgated regulations setting the levels at which an insured institution such as the Bank would be considered "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized " Under the FDIC's regulations, the Bank is classified "well-capitalized" for purposes of prompt corrective action

Total shareholders' equity increased to $1 452 billion at December 31, 2010 compared with $1 351 billion at December 31, 2009, an increase of $101 1 million or 7 5% This increase was primarily the result of net income of $127 7 million, common stock issued in connection with the exercise of stock options and restricted stock awards of $2 7 million and stock based compensation expense of $3 0 million partially offset by dividends paid on the common stock of $29 8 million and a decrease in the change in unrealized gains on available for sale securities of $2 5 million Total shareholders' equity increased to $1 351 billion at December 31, 2009 compared with $1 255 billion at December 31, 2008, an increase of $96 1 million or 7 7% This increase was primarily the result of net income of $111 9 million and an increase in the change in unrealized gains on available for sale securities of $7 0 million, partially offset by dividends paid on the common stock of $26 2 million

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, the report thereon, the notes thereto and supplementary data commence at page 75 of this Annual Report on Form 10-K

The following table presents certain unaudited consolidated quarterly financial information concerning the Company's results of operations for each of the two years indicated below The information should be read in conjunction with the historical consolidated financial statements of the Company and the notes thereto appearing elsewhere in this Annual Report on Form 10-K

CONSOLIDATED QUARTERLY FINANCIAL DATA OF THE COMPANY

	Quarter Ended 2010			
	December 31	September 30	June 30	March 31
	(Dollars in thousands, except per share data) (unaudited)			
Interest income	$92,436	$ 96,247	$ 99,358	$ 96,496
Interest expense	12,927	15,980	18,758	18,724
Net interest income	79,509	80,267	80,600	77,772
Provision for credit losses	2,900	3,000	3,275	4,410
Net interest income after provision	76,609	77,267	77,325	73,362
Noninterest income	13,905	13,654	13,296	12,978
Noninterest expense	41,227	42,593	43,049	39,725
Income before income taxes	49,287	48,328	47,572	46,615
Provision for income taxes	16,489	16,162	15,826	15,617
Net income	$32,798	$ 32,166	$ 31,746	$ 30,998
Earnings per share(1)				
Basic	$ 0 70	$ 0 69	$ 0 68	$ 0 67
Diluted	$ 0 70	$ 0 69	$ 0 68	$ 0 66

	Quarter Ended 2009			
	December 31	September 30	June 30	March 31
	(Dollars in thousands, except per share data) (unaudited)			
Interest income	$99,585	$101,695	$102,768	$105,566
Interest expense	19,496	24,282	27,247	31,488
Net interest income	80,089	77,413	75,521	74,078
Provision for credit losses	8,500	7,250	6,900	6,125
Net interest income after provision	71,589	70,163	68,621	67,953
Noninterest income	14,711	15,236	15,133	15,017
Noninterest expense	40,176	41,201	44,300	44,023
Income before income taxes	46,124	44,198	39,454	38,947
Provision for income taxes	15,555	14,876	12,944	13,469
Net income	$30,569	$ 29,322	$ 26,510	$ 25,478
Earnings per share(1)				
Basic	$ 0 66	$ 0 64	$ 0 57	$ 0 55
Diluted	$ 0 65	$ 0 63	$ 0 57	$ 0 55

(1) Earnings per share are computed independently for each of the quarters presented and therefore may not total earnings per share for the year

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles

As of December 31, 2010, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission This assessment included controls over the preparation of the schedules equivalent to the basic financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2010

Deloitte & Touche LLP the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2010 The report is included in this Item under the heading "Report of Independent Registered Public Accounting Firm "

Compliance with Designated Laws and Regulations

Management is also responsible for ensuring compliance with the federal laws and regulations concerning loans to insiders and the federal and state laws and regulations concerning dividend restrictions, both of which are designated by the FDIC as safety and soundness laws and regulations

Management assessed its compliance with the designated safety and soundness laws and regulations and has maintained records of its determinations and assessments as required by the FDIC Based on this assessment, management believes that the Company has complied with the designated safety and soundness laws and regulations for the year ended December 31, 2010

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated March 1, 2011 expressed an unqualified opinion on those financial statements

/s/ Deloitte & Touche LLP

Houston, Texas
March 1, 2011

ITEM 9B. OTHER INFORMATION

None

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the information under the captions "Election of Directors," "Continuing Directors and Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance—Committees of the Board—Audit Committee," "Corporate Governance—Director Nomination Process" and "Corporate Governance—Code of Ethics" in the Company's definitive Proxy Statement for its 2011 Annual Meeting of Shareholders (the "2011 Proxy Statement") to be filed with the Commission pursuant to Regulation 14A under the Exchange Act within 120 days of the Company's fiscal year end

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information under the captions "Executive Compensation and Other Matters" and "Director Compensation" in the 2011 Proxy Statement

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Certain information required by this Item 12 is included under "Securities Authorized for Issuance under Equity Compensation Plans" in Part II, Item 5 of this Annual Report on Form 10-K The other information required by this Item is incorporated herein by reference to the information under the caption "Beneficial Ownership of common stock by Management of the Company and Principal Shareholders" in the 2011 Proxy Statement

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the information under the captions "Corporate Governance—Director Independence" and "Certain Relationships and Related Transactions" in the 2011 Proxy Statement

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the information under the caption "Fees and Services of Independent Registered Public Accounting Firm" in the 2011 Proxy Statement

Exhibit Number[1]		Description
4 4	—	Guarantee Agreement dated as of July 31, 2001 by and between Prosperity Bancshares, Inc and State Street Bank and Trust Company of Connecticut, National Association (incorporated herein by reference to Exhibit 4 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
10 1†	—	Prosperity Bancshares, Inc 1995 Stock Option Plan (incorporated herein by reference to Exhibit 10 1 to the Company's Registration Statement on Form S-1 (Registration No 333-63267))
10 2†	—	Prosperity Bancshares, Inc 1998 Stock Incentive Plan (incorporated herein by reference to Exhibit 10 2 to the Company's Registration Statement on Form S-1 (Registration No 333-63267))
10 3†	—	Prosperity Bancshares, Inc 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10 3 to the Company's Registration Statement on Form S-4 (Registration No 333-121767))
10 4†	—	Second Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc , Prosperity Bank and David Zalman (incorporated herein by reference to Exhibit 10 1 to the Company's Current Report on Form 8-K filed January 7, 2009)
10 5†	—	Second Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc , Prosperity Bank and H E Timanus, Jr (incorporated herein by reference to Exhibit 10 4 to the Company's Current Report on Form 8-K filed January 7, 2009)
10 6†	—	Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc , Prosperity Bank and James D Rollins III (incorporated herein by reference to Exhibit 10 3 to the Company's Current Report on Form 8-K filed on January 7, 2009)
10 7†	—	Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc , Prosperity Bank and David Hollaway (incorporated herein by reference to Exhibit 10 2 to the Company's Current Report on Form 8-K filed on January 7, 2009)
10 8†	—	SNB Bancshares, Inc 2002 Stock Option Plan, as amended and restated (incorporated herein by reference to Exhibit 4 2 to the Company's Registration Statement on Form S-8 (Registration No 333-133214))
10 9†	—	Texas United Bancshares, Inc 1998 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (Registration No 333-140425))
10 10†	—	Texas United Bancshares, Inc 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 4 3 to the Company's Registration Statement on Form S-8 (Registration No 333-140425))
21 1*	—	Subsidiaries of Prosperity Bancshares, Inc
23 1*	—	Consent of Deloitte & Touche LLP
31 1*	—	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31 2*	—	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32 1**	—	Certification of the Chief Executive Officer pursuant to 18 U S C Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32 2**	—	Certification of the Chief Financial Officer pursuant to 18 U S C Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date March 1, 2011

PROSPERITY BANCSHARES, INC.®
(Registrant)

By /s/ DAVID ZALMAN
David Zalman
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Positions	Date
/s/ DAVID ZALMAN **David Zalman**	Chairman of the Board and Chief Executive Officer (principal executive officer), Director	March 1, 2011
/s/ DAVID HOLLAWAY **David Hollaway**	Chief Financial Officer (principal financial officer and principal accounting officer)	March 1, 2011
/s/ JAMES A BOULIGNY **James A Bouligny**	Director	March 1, 2011
/s/ WILLIAM H FAGAN, M D **William Fagan, M.D**	Director	March 1, 2011
/s/ LEAH HENDERSON **Leah Henderson**	Director	March 1, 2011
/s/ NED S HOLMES **Ned S. Holmes**	Director	March 1, 2011
/s/ PERRY MUELLER, JR , D D S **Perry Mueller, Jr., D D S**	Director	March 1, 2011
/s/ JAMES D ROLLINS III **James D. Rollins III**	Director	March 1, 2011
/s/ HARRISON STAFFORD II **Harrison Stafford II**	Director	March 1, 2011
/s/ ROBERT STEELHAMMER **Robert Steelhammer**	Director	March 1, 2011

TABLE OF CONTENTS TO CONSOLIDATED FINANCIAL STATEMENTS

PROSPERITY BANCSHARES, INC.® AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2010	December 31, 2009
	(Dollars in thousands)	
ASSETS		
Cash and due from banks	$ 158,975	$ 194,963
Federal funds sold	393	354
Total cash and cash equivalents	159,368	195,317
Available for sale securities, at fair value	428,553	599,503
Held to maturity securities, at cost (fair value of $4,310,807 and $3,633,753, respectively)	4,188,563	3,518,787
Loans held for investment	3,485,023	3,376,703
Less allowance for credit losses	(51,584)	(51,863)
Loans, net	3,433,439	3,324,840
Accrued interest receivable	29,935	30,571
Goodwill	924,258	876,987
Core deposit intangibles, net of accumulated amortization of $50,378 and $41,362, respectively	28,776	35,385
Bank premises and equipment, net	159,053	148,855
Other real estate owned	11,053	7,829
Bank Owned Life Insurance (BOLI), net	48,697	48,091
Federal Home Loan Bank of Dallas stock	24,982	16,019
Other assets	39,895	48,216
TOTAL ASSETS	$9,476,572	$8,850,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	$1,673,190	$1,492,612
Interest-bearing	5,781,730	5,765,938
Total deposits	7,454,920	7,258,550
Other borrowings	374,433	26,140
Securities sold under repurchase agreements	60,659	72,596
Accrued interest payable	4,014	7,343
Other liabilities	37,942	42,261
Junior subordinated debentures	92,265	92,265
Total liabilities	8,024,233	7,499,155
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value, 20,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $1 par value, 200,000,000 shares authorized, 46,721,114 and 46,577,968 shares issued at December 31, 2010 and 2009, respectively, 46,684,026 and 46,540,880 shares outstanding at December 31, 2010 and 2009, respectively	46,721	46,578
Capital surplus	876,050	870,460
Retained earnings	515,871	418,008
Accumulated other comprehensive income—net unrealized gain on available for sale securities, net of tax of $7,702 and $9,049, respectively	14,304	16,806
Less treasury stock, at cost, 37,088 shares	(607)	(607)
Total shareholders' equity	1,452,339	1,351,245
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$9,476,572	$8,850,400

See notes to consolidated financial statements

PROSPERITY BANCSHARES, INC.® AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock		Capital	Retained	Accumulated Other Comprehensive	Treasury	Total Shareholders'
	Shares	Amount	Surplus	Earnings	Income (Loss)	Stock	Equity
	(In thousands, except share and per share data)						
BALANCE AT DECEMBER 31, 2007	44,188,323	$44,188	$809,026	$273,407	$ 1,417	$(607)	$1,127,431
Cumulative effect—split dollar insurance adjustment				(2,174)			(2,174)
Comprehensive income							
Net income				84,507			84,507
Net change in unrealized gain on available for sale securities (net of tax of $4,542)					8 436		8,436
Total comprehensive income							92,943
Common stock issued in connection with the 1st Choice acquisition	1,757,752	1,758	54,385				56,143
Common stock issued in connection with the exercise of stock options and restricted stock awards	170,726	171	2,427				2,598
Stock based compensation expense			1,542				1,542
Cash dividends declared, $0 513 per share				(23,377)			(23,377)
BALANCE AT DECEMBER 31, 2008	46,116,801	46,117	867,380	332,363	9,853	(607)	1,255,106
Comprehensive income							
Net income				111,879			111,879
Net change in unrealized gain on available for sale securities (net of tax of $3,744)					6,953		6,953
Total comprehensive income							118,832
Common stock issued in connection with the exercise of stock options and restricted stock awards	461,167	461	1,565				2,026
Stock based compensation expense			1,515				1,515
Cash dividends declared, $0 568 per share				(26,234)			(26,234)
BALANCE AT DECEMBER 31, 2009	46,577,968	46,578	870,460	418,008	16,806	(607)	1,351,245
Comprehensive income							
Net income				127,708			127,708
Net change in unrealized gain on available for sale securities (net of tax benefit of $1,347)					(2,502)		(2,502)
Total comprehensive income							125,206
Common stock issued in connection with the exercise of stock options and restricted stock awards	143,146	143	2,553				2,696
Stock based compensation expense			3,037				3,037
Cash dividends declared, $0 64 per share				(29,845)			(29,845)
BALANCE AT DECEMBER 31, 2010	46,721,114	$46,721	$876,050	$515,871	$14,304	$(607)	$1,452,339

See notes to consolidated financial statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of Operations—Prosperity Bancshares, Inc ® ("Bancshares") and its subsidiaries, Prosperity Holdings of Delaware, LLC ("Holdings") and Prosperity Bank® (the "Bank", and together with Bancshares and Holdings, collectively referred to as the "Company") provide retail and commercial banking services The Company operates its business as one domestic segment

The Bank operated one hundred seventy-five (175) full-service banking locations, with sixty (60) in the Houston area, twenty (20) in the South Texas area including Corpus Christi and Victoria, thirty-three (33) in the Central Texas, ten (10) in the Bryan/College Station area, twenty-one (21) in East Texas and thirty-one (31) in the Dallas/Fort Worth, Texas area

Accounting Standards Codification—The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") became effective on July 1, 2009 At that date, the ASC became FASB's officially recognized source of authoritative U S generally accepted accounting principles applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants Emerging Issues Task Force and related literature Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants All other accounting literature is considered non-authoritative The switch to the ASC affects the way companies refer to U S GAAP in financial statements and accounting policies Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure

Principles of Consolidation—The consolidated financial statements include the accounts of Bancshares and its wholly owned subsidiaries All intercompany transactions have been eliminated in consolidation The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP") and the prevailing practices within the banking industry A summary of significant accounting and reporting policies is as follows

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Such estimates include, but are not limited to, the calculation of stock-based compensation and the allowance for credit losses as well as the valuation of goodwill and available for sale securities Actual results could differ from these estimates

Securities —Securities held to maturity are carried at cost, adjusted for the amortization of premiums and the accretion of discounts Management has the positive intent and the Company has the ability to hold these assets as long-term securities until their estimated maturities

Securities available for sale are carried at fair value Unrealized gains and losses are excluded from earnings and reported, net of tax, as a separate component of shareholders' equity until realized Securities within the available for sale portfolio may be used as part of the Company's asset/liability strategy and may be sold in response to changes in interest risk, prepayment risk or other similar economic factors

Net other-than-temporary impairment ("OTTI") losses on individual investment securities that are credit related are recognized as a realized loss through earnings when it is more likely than not that the Company will not collect all of the contractual cash flows or is unable to hold the securities to recovery

Estimates of credit losses involve an exercise of judgment While it is possible that in the short term the Company may sustain losses which are substantial in relation to the allowance for credit losses, it is the judgment of management that the allowance for credit losses reflected in the consolidated balance sheets is adequate to absorb probable losses that exist in the current loan portfolio

The Company's allowance for credit losses consists of two elements (i) specific valuation allowances determined in accordance with ASC Topic 310, "Receivables" based on probable losses on specific loans, and (ii) a general valuation allowance based on historical loan loss experience, general economic conditions and other qualitative risk factors both internal and external to the Company in accordance with ASC Topic 450, "Contingencies" A loan is defined as impaired by ASC Topic 310 if, based on current information and events, it is probable that a creditor will be unable to collect all amounts due, both interest and principal, according to the contractual terms of the loan agreement Specifically, ASC Topic 310 requires that the allowance for credit losses related to impaired loans be determined based on the difference of carrying value of loans and the present value of expected cash flows discounted at the loan's effective interest rate or, as a practical expedient, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent At December 31, 2010, the Company had $4 4 million in nonaccrual loans, $189,000 in 90 days or more past due loans and no restructured loans At December 31, 2009, the Company had $6 1 million in nonaccrual loans, $2 3 million in 90 days or more past due loans and no restructured loans The recorded investment in impaired loans was $4 3 million and $21 7 million at December 31, 2010 and 2009, respectively Such impaired loans required an allowance for credit losses of $993,000 and $5 4 million at December 31, 2010 and 2009, respectively Interest revenue received on impaired loans is either applied against principal or realized as interest revenue, according to management's judgment as to the collectibility of principal If interest on nonaccrual loans had been accrued under the original loan terms, approximately $701,000, $434,000 and $121,000 would have been recorded as income for the years ended December 31, 2010, 2009 and 2008, respectively

Premises and Equipment—Premises and equipment are carried at cost less accumulated depreciation Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets which range from three to 30 years Leasehold improvements are amortized using the straight-line method over the periods of the leases or the estimated useful lives, whichever is shorter

Goodwill —Goodwill is annually assessed for impairment or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable The Company bases its evaluation on such impairment factors as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present

Amortization of Core Deposit Intangibles—Core deposit intangibles are amortized using an accelerated amortization method over an 8 to 10 year period

Income Taxes—Bancshares files a consolidated federal income tax return

Deferred tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases

Effective January 1, 2008, the Company adopted the provisions of FASB Codification Topic 740, "Income Taxes", which discusses the accounting for uncertainty in income taxes recognized in an entity's financial statements GAAP prescribes a specified recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition

Stock-Based Compensation—The Company accounts for stock-based employee compensation plans using the fair value-based method of accounting in accordance with FASB ASC Topic 718, "Stock Compensation"

New Accounting Standards

Accounting Standards Codification As discussed in Note 1—The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification became effective on July 1, 2009 At that date, the ASC became FASB's officially recognized source of authoritative GAAP applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF") and related literature Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants All other accounting literature is considered non-authoritative The switch to the ASC affects the way companies refer to GAAP in financial statements and accounting policies Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure

Accounting Standards Update (ASU) No 2009-16, "Transfers and Servicing (Topic 860)—Accounting for Transfers of Financial Assets " ASU 2009-16 amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets ASU 2009-16 eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets ASU 2009-16 also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period The provisions of ASU 2009-16 became effective on January 1, 2010 and did not have a significant impact on the Company's financial statements

ASU No 2009-17, "Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities " ASU 2009-17 amends prior guidance to change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance ASU 2009-17 requires additional disclosures about the reporting entity's involvement with variable-interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity's financial statements As further discussed below, ASU No 2010-10, "Consolidations (Topic 810)—Amendments for Certain Investment Funds," deferred the effective date of ASU 2009-17 for a reporting entity's interests in investment companies The provisions of ASU 2009-17 became effective on January 1, 2010 and did not have a significant impact on the Company's financial statements

ASU No 2010-06, "Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures About Fair Value Measurements " ASU 2010-06 requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers, (ii) the reasons for transfers of assets or liabilities in or out of Level 3 of the fair value hierarchy, with significant transfers disclosed separately, (iii) the policy for determining when transfers between levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchases, sales, issuances and settlements ASU 2010-06 further clarifies that (i) fair value measurement disclosures should be provided for each class of assets and liabilities (rather than major category), which would generally be a subset of assets or liabilities within a line item in the statement of financial position and (ii) company's should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy The disclosures related to the gross presentation of purchases, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy will be required for the Company beginning January 1, 2011 The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective for the Company on January 1, 2010. See Note 7—Fair Value

ASU No 2010-10, "Consolidations (Topic 810)—Amendments for Certain Investment Funds " ASU 2010-10 defers the effective date of the amendments to the consolidation requirements made by of the net assets for tax free acquisitions was recorded as goodwill, none of which is deductible for tax purposes The excess of the purchase price over the estimated fair value of the net assets for taxable acquisitions was also recorded as goodwill, and is deductible for tax purposes The identified core deposit intangibles for each acquisition are being amortized using an accelerated amortization method over an 8 to 10 year life The results of operations for each acquisition have been included in the Company's consolidated financial results beginning on the respective acquisition date The following acquisitions were completed on the dates indicated

On March 29, 2010, the Company completed its acquisition of three (3) Texas banking centers from U S Bank In connection with the acquisition, the Company assumed approximately $375 0 million in deposits The Company paid a premium of $13 1 million to assume the deposits of the three U S Bank branches

In connection with the purchase, the Company recorded a premium of $13 3 million, of which $369 thousand was identified as core deposit intangibles The remaining $12 9 million of the premium was recorded as goodwill

On April 30, 2010, the Company completed its acquisition of nineteen (19) Texas banking centers from First Bank In connection with the acquisition, the Company assumed approximately $500.0 million in deposits Four banking centers were subsequently closed and consolidated with nearby Company banking centers The Company paid a premium of $26 9 million to assume the deposits of the nineteen First Bank branches

In connection with the purchase, the Company recorded a premium of $36 4 million, of which $2 0 million was identified as core deposit intangibles The remaining $34 3 million of the premium was recorded as goodwill

The Company had no acquisitions in 2009

On January 10, 2008, the Company completed its acquisition of six (6) Houston banking centers from Banco Popular North America In connection with the acquisition, the Company assumed approximately $125 0 million in deposits In the second quarter of 2008, one banking center was closed and consolidated with a nearby Company banking center The Company paid a premium of $13 0 million or 10 1% to assume the deposits of the six Banco Popular branches

In connection with the purchase, the Company recorded a premium of $14 4 million, of which $1 3 million was identified as core deposit intangibles The remaining $13 1 million of the premium was recorded as goodwill

On June 1, 2008, the Company completed its acquisition of 1st Choice Bancorp, Inc and its wholly-owned subsidiary, 1st Choice Bank 1st Choice operated two (2) banking offices in Houston, Texas, with one location in South Houston and another in the Heights area The Company's Heights banking center was consolidated with the 1st Choice Heights location, with the resulting banking center being located in 1st Choice's Heights banking office As of March 31, 2008, 1st Choice had, on a consolidated basis, total assets of $313 9 million, loans of $198 9 million, deposits of $285 1 million and stockholders' equity of $27 5 million Under the terms of the definitive agreement, Prosperity issued 1,757,752 shares of Prosperity common stock plus approximately $18,758,000 in cash for all outstanding shares of 1st Choice

In connection with the purchase, the Company recorded a premium of $51 1 million, of which $637,000 was identified as core deposit intangibles The remaining $50 5 million of the premium was recorded as goodwill

On November 7, 2008, the Bank assumed approximately $3 6 billion of deposits and acquired certain assets from the FDIC, acting in its capacity as receiver for Franklin Bank (the "Franklin acquisition" or the "Franklin Bank acquisition") The FDIC entered into a purchase and assumption agreement with the Bank, in which the Bank paid a premium of $60 9 million for all deposits of Franklin Bank, both insured and uninsured Under terms of the purchase and assumption agreement, the Bank acquired certain assets from the FDIC, including

3. GOODWILL AND CORE DEPOSIT INTANGIBLES

Changes in the carrying amount of the Company's goodwill and core deposit intangibles for fiscal 2010 and 2009 were as follows

	Goodwill	Core Deposit Intangibles
	(Dollars in thousands)	
Balance as of December 31, 2008	$874,654	$ 38,196
Less		
Amortization	—	(10,076)
Add		
Prior year acquisition of Franklin Bank	2,266	7,265
Prior year acquisition of 1st Choice Bancorp, Inc	17	—
Prior year acquisition of Banco Popular branches	50	—
Balance as of December 31, 2009	876,987	35,385
Less		
Amortization	—	(9,016)
Add		
Acquisition of U S Bank branches	12,928	369
Acquisition of First Bank branches	34,343	2,038
Balance as of December 31, 2010	$924,258	$ 28,776

Purchase accounting adjustments to prior year acquisitions were made to adjust deferred tax asset and liability balances Goodwill is recorded on the acquisition date of each entity The Company may record subsequent adjustments to goodwill for amounts undeterminable at acquisition date, such as deferred taxes and real estate valuations, and therefore the goodwill amounts reflected in the table above may change accordingly The Company initially records the total premium paid on acquisitions as goodwill After finalizing the valuation, core deposit intangibles are identified and reclassified from goodwill to core deposit intangibles on the balance sheet This reclassification has no effect on total assets or liabilities Management performs an evaluation annually, and more frequently if a triggering event occurs, of whether any impairment of the goodwill and other intangibles has occurred If any such impairment is determined, a write down is recorded As of December 31, 2010, there was no impairment recorded on goodwill

Core deposit intangibles ("CDI") are amortized on an accelerated basis over their estimated lives, which the Company believes is between 8 and 10 years Gross core deposit intangibles outstanding were $79 2 million and $76 7 million at December 31, 2010 and December 31, 2009, respectively The increase was primarily due to the core deposit intangibles added from the U S Bank and First Bank acquisitions Net core deposit intangibles outstanding were $28 8 million and $35 4 million at the same dates, respectively The decrease was primarily due to amortization, partially offset by the core deposit intangibles added from the U S Bank and First Bank acquisitions Amortization expense related to intangible assets totaled $9 0 million and $10 1 million for the years ended December 31, 2010 and 2009, respectively The decrease was primarily attributed to certain CDI that fully amortized in 2010

The estimated aggregate future amortization expense for CDI remaining as of December 31, 2010 is as follows (dollars in thousands)

2011	$ 7,780
2012	6,347
2013	4,465
2014	3,314
2015	2,804
Thereafter	4,066
Total	$28,776

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model Investment securities classified as available for sale or held-to-maturity are evaluated for OTTI under FASB ASC Topic 320, "Investments—Debt and Equity Securities " Certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in ASC Topic 325, "Investments—Other " The Company currently does not own any securities that are accounted for under ASC Topic 325

In determining OTTI under ASC Topic 320, management considers many factors, including (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time If applicable, the second segment of the portfolio uses the OTTI guidance provided by ASC Topic 325 that is specific to purchased beneficial interests that, on the purchase date, were rated below AA Under the ASC Topic 325 model, an impairment is considered other than temporary if, based on the Company's best estimate of cash flows that a market participant would use in determining the current fair value of the beneficial interest, there has been an adverse change in those estimated cash flows

When OTTI occurs under either model, the amount of the other-than-temporary impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the OTTI shall be separated into the amount representing the credit-related portion of the impairment loss ("credit loss") and the noncredit portion of the impairment loss ("noncredit portion") The amount of the total OTTI related to the credit loss is determined based on the difference between the present value of cash flows expected to be collected and the amortized cost basis and such difference is recognized in earnings The amount of the total OTTI related to the noncredit portion is recognized in other comprehensive income, net of applicable taxes The previous amortized cost basis less the OTTI recognized in earnings shall become the new amortized cost basis of the investment

As of December 31, 2010, management believes the Company does not intend to sell any debt securities or more likely than not will not be required to sell any debt securities before their anticipated recovery, at which time the Company will receive full value for the securities Furthermore, as of December 31, 2010, management does not have the intent to sell any of the securities classified as available for sale and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline Management does not believe any of the securities are impaired due to reasons of credit quality Accordingly, as of December 31, 2010, management believes any impairment in the Company's securities are temporary and no impairment loss has been realized in the Company's consolidated statements of income

As part of its regular quarterly review for impairment of marketable securities, the Company recognized an other-than-temporary impairment charge of $14 0 million pre-tax on Federal Home Loan Mortgage Corporation ("FHLMC" or Freddie Mac) and on Federal National Mortgage Association ("FNMA" or Fannie Mae)

The amortized cost and fair value of investment securities at December 31, 2010, by contractual maturity, are shown below Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations at any time with or without call or prepayment penalties

	December 31, 2010			
	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Due in one year or less	$ 3,379	$ 3,421	$ 15,408	$ 15,995
Due after one year through five years	16,261	17,322	2,458	2,687
Due after five years through ten years	10,452	10,726	19,983	20,709
Due after ten years	31,697	31,094	18,560	18,674
Subtotal	61,789	62,563	56,409	58,065
Mortgage-backed securities and collateralized mortgage obligations	4,126,774	4,248,244	350,137	370,488
Total	$4,188,563	$4,310,807	$406,546	$428,553

There were no sales of securities classified as available for sale for the year ended December 31, 2010 or 2009

At December 31, 2010 and 2009, the Company did not own securities of any one issuer (other than the U S government and its agencies) for which aggregate adjusted cost exceeded 10% of the consolidated shareholders' equity at such respective dates

Securities with an amortized cost of $2 46 billion and $2 35 billion and a fair value of $2 55 billion and $2 44 billion at December 31, 2010 and 2009, respectively, were pledged to collateralize public deposits and for other purposes required or permitted by law

6. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The loan portfolio consists of various types of loans made principally to borrowers located in South and Southeast Texas, Houston, Central Texas, Bryan/College Station, East Texas, Corpus Christi and Dallas/Fort Worth and is classified by major type as follows

	December 31,	
	2010	2009
	(Dollars in thousands)	
Commercial and industrial	$ 409,426	$ 392,975
Real estate		
Construction and land development	502,327	557,245
1-4 family residential	824,057	709,101
Home equity	118,781	117,661
Commercial mortgage	1,288,023	1,261,267
Farmland	98,871	93,288
Multi-family residential	82,626	77,952
Agriculture	41,881	42,241
Consumer (net of unearned discount)	87,977	102,436
Other	31,054	22,537
Total	$3,485,023	$3,376,703

account rather than selling such loans into the secondary market By doing so, the Company is able to realize a higher yield on these loans however, the Company also incurs interest rate risk as well as the risks associated with nonpayments on such loans

(iv) Construction and Land Development Loans. The Company makes loans to finance the construction of residential and, to a lesser extent, nonresidential properties Construction loans generally are collateralized by first liens on real estate and have floating interest rates The Company conducts periodic inspections, either directly or through an agent, prior to approval of periodic draws on these loans Underwriting guidelines similar to those described above are also used in the Company's construction lending activities Construction loans involve additional risks attributable to the fact that loan funds are advanced upon the security of a project under construction, and the project is of uncertain value prior to its completion Because of uncertainties inherent in estimating construction costs, the market value of the completed project and the effects of governmental regulation on real property, it can be difficult to accurately evaluate the total funds required to complete a project and the related loan to value ratio As a result of these uncertainties, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan If the Company is forced to foreclose on a project prior to completion, there is no assurance that the Company will be able to recover all of the unpaid portion of the loan In addition, the Company may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate period of time While the Company has underwriting procedures designed to identify what it believes to be acceptable levels of risks in construction lending, no assurance can be given that these procedures will prevent losses from the risks described above

(v) Agriculture Loans The Company provides agriculture loans for short-term crop production, including rice, cotton, milo and corn, farm equipment financing and agriculture real estate financing The Çompany evaluates agriculture borrowers primarily based on their historical profitability, level of experience in their particular agriculture industry, overall financial capacity and the availability of secondary collateral to withstand economic and natural variations common to the industry Because agriculture loans present a higher level of risk associated with events caused by nature, the Company routinely makes on-site visits and inspections in order to identify and monitor such risks

(vi) Consumer Loans Consumer loans made by the Company include direct "A"-credit automobile loans, recreational vehicle loans, boat loans, home improvement loans, home equity loans, personal loans (collateralized and uncollateralized) and deposit account collateralized loans The terms of these loans typically range from 12 to 120 months and vary based upon the nature of collateral and size of loan Generally, consumer loans entail greater risk than do real estate secured loans, particularly in the case of consumer loans that are unsecured or collateralized by rapidly depreciating assets such as automobiles In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan balance The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans

The Company requires appraisals on loans collateralized by real estate With respect to potential problem loans, an evaluation of the borrower's overall financial condition is made to determine the need, if any, for possible writedowns or appropriate additions to the allowance for credit losses

Year-end non-accrual loans, segregated by class of loans, were as follows

	December 31, 2010	December 31, 2009
	(Dollars in thousands)	
Construction and land development	$1,417	$1,692
Agriculture and agriculture real estate (includes farmland)	11	—
1-4 family (includes home equity)	1,559	829
Commercial real estate (includes multi-family residential)	235	2,281
Commercial and industrial	1,179	1,252
Consumer and other	38	25
Total	$4,439	$6,079

If interest on nonaccrual loans had been accrued under the original loan terms, approximately $701,000, $434,000 and $121,000 would have been recorded as income for the years ended December 31, 2010, 2009 and 2008, respectively

An aging analysis of past due loans, segregated by class of loans, as of December 31, 2010 was as follows

	Years Ended December 31,				
	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Accruing Loans 90 or More Days Past Due
	(Dollars in thousands)				
Construction and land development	$ 6,395	$1,465	$ 7,860	$ 494,467	$ 48
Agriculture and agriculture real estate (includes farmland)	251	11	262	140,490	—
1-4 family (includes home equity)	6,217	1,701	7,918	934,920	141
Commercial real estate (includes multi-family residential)	6,243	235	6,478	1,364,171	—
Commercial and industrial	2,047	1,179	3,226	406,200	—
Consumer and other	241	37	278	118,753	—
Total	$21,394	$4,628	$26,022	$3,459,001	$189

The following table presents information regarding past due loans and nonperforming assets at the dates indicated

	December 31,				
	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Nonaccrual loans	$ 4,439	$ 6,079	$ 2,142	$ 1,035	$ 181
Accruing loans 90 or more days past due	189	2,332	7,594	4,092	767
Total nonperforming loans	4,628	8,411	9,736	5,127	948
Repossessed assets	161	116	182	56	32
Other real estate	11,053	7,829	4,450	10,207	140
Total nonperforming assets	$15,842	$16,356	$14,368	$15,390	$1,120
Nonperforming assets to total loans and other real estate	0 45%	0 48%	0 40%	0.49%	0 05%
Nonperforming assets to average earning assets	0 20%	0 22%	0 25%	0 31%	0 03%

Grade 1—Credits in this category are of the highest standards of credit quality with virtually no risk of loss These borrowers would represent top rated companies and individuals with unquestionable financial standing with excellent global cash flow coverage, net worth, liquidity and collateral coverage and/or secured by CD/ Savings accounts

Grade 2—Credits in this category are not immune from risk but are well protected by the collateral and paying capacity of the borrower These loans may exhibit a minor unfavorable credit factor, but the overall credit if sufficiently strong to minimize the possibility of loss

Grade 3—Credits in this category constitute an undue and unwarranted credit risk, however the factors do not rise to a level of substandard These credits have potential weaknesses and/or declining trends that, if not corrected, could expose the bank to risk at a future date These loans are monitored on the Bank's internally-generated watch list and evaluated on a quarterly basis

Grade 4—Credits in this category are considered "substandard" but "non-impaired" loans in accordance with regulatory guidelines Loans in this category have well-defined weakness that, if not corrected, could make default of principal and interest possible Loans in this category are still accruing interest and may be dependant upon secondary sources of repayment and/or collateral liquidation

Grade 5—Credits in this category are deemed "substandard" and "impaired" pursuant to regulatory guidelines As such, the Bank has determined that it is probable that less than 100% of the principal and interest will be collected These loans are individually evaluated for a specific reserve valuation and will typically have the accrual of interest stopped

Grade 6—Credits in this category include "doubtful" loans in accordance with regulatory guidance Such loans are no longer accruing interest and factors indicated a loss is imminent These loans are also deemed "impaired " While a specific reserve may be in place while the loan and collateral is being evaluated these loans are typically charged down to an amount the Bank estimates is collectible

Grade 7—Credits in this category are deemed a "loss" in accordance with regulatory guidelines and have been charged off or charged down The Bank may continue collection efforts and may have partial recovery in the future

The following table presents risk grades and classified loans by class of loan at December 31, 2010 Classified loans include loans in risk grades 5, 6 and 7

	Construction and Land Development	Agriculture and Agriculture Real Estate (Includes Farmland)	1-4 Family (Includes Home Equity)	Commercial Real Estate (Includes Multi-Family)	Commercial and Industrial	Consumer and Other	Total
	(Dollars in thousands)						
Grade 1	$ —	$ 4,057	$ —	$ —	$ 41,455	$ 35,188	$ 80,700
Grade 2	479,443	136,607	930,110	1,335,222	364,150	83,797	3,329,329
Grade 3	4,492	—	6,571	13,165	858	1	25,087
Grade 4	16,937	77	4,663	22,041	1,883	15	45,616
Grade 5	1,455	11	1,425	221	286	30	3,428
Grade 6	—	—	69	—	794	—	863
Grade 7	—	—	—	—	—	—	—
Total	$502,327	$140,752	$942,838	$1,370,649	$409,426	$119,031	$3,485,023

In connection with its review of the loan portfolio, the Company considers risk elements attributable to particular loan types or categories in assessing the quality of individual loans Some of the risk elements include

- for 1-4 family residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan to value ratio, and the age, condition and marketability of collateral,
- for commercial mortgage loans and multifamily residential loans, the debt service coverage ratio (income from the property in excess of operating expenses compared to loan payment requirements), operating results of the owner in the case of owner-occupied properties, the loan to value ratio, the age and condition of the collateral and the volatility of income, property value and future operating results typical of properties of that type,
- for construction and land development loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, experience and ability of the developer and loan to value ratio,
- for commercial and industrial loans, the operating results of the commercial, industrial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral,
- for agricultural real estate loans, the experience and financial capability of the borrower, projected debt service coverage of the operations of the borrower and loan to value ratio, and
- for non-real estate agricultural loans, the operating results, experience and financial capability of the borrower, historical and expected market conditions and the value, nature and marketability of collateral

In addition, for each category, the Company considers secondary sources of income and the financial strength and credit history of the borrower and any guarantors

At December 31, 2010, the allowance for credit losses totaled $51 6 million, or 1 48% of total loans At December 31, 2009, the allowance aggregated $51 9 million or 1 54% of total loans and at December 31, 2008, the allowance was $37 0 million or 1 04% of total loans

An analysis of activity in the allowance for credit losses is as follows

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Balance at beginning of year	$ 51,863	$ 36,970	$32,543
Balance acquired in the 1st Choice acquisition	—	—	2,182
Addition—provision charged to operations	13,585	28,775	9,867
Charge-offs and recoveries			
Loans charged off	(15,483)	(15,399)	(9,182)
Loan recoveries	1,619	1,517	1,560
Net charge-offs	(13,864)	(13,882)	(7,622)
Balance at end of year	$ 51,584	$ 51,863	$36,970

The following tables present fair value measurements as of December 31, 2010 and 2009

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
2010:				
Measured on a recurring basis				
Available for sale securities (at fair value)	$—	$428,553	$—	$428,553
Total December 31, 2010	$—	$428,553	$—	$428,553
2009:				
Measured on a recurring basis				
Available for sale securities (at fair value)	$—	$599,503	$—	$599,503
Total December 31, 2009	$—	$599,503	$—	$599,503

Certain assets and liabilities are measured at fair value on a non-recurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment) These instruments include other real estate owned, repossessed assets, held to maturity debt securities and impaired loans per ASC Topic 310 For the year ended December 31, 2010, the Company had additions to other real estate owned of $34 3 million of which $8 9 million were outstanding December 31, 2010 For the year ended December 31, 2010, the Company had additions to impaired loans of $18 7 million of which $2 8 million were outstanding December 31, 2010 The remaining financial assets and financial liabilities measured at fair value on a non-recurring basis that were recorded in 2010 and remained outstanding at December 31, 2010 were not significant

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs

The fair value disclosures below represent the Company's estimates based on relevant market information and information about the financial instruments Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision Changes in the above methodologies and assumptions could significantly affect the estimates

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value

Cash and Cash Equivalents, Interest Bearing Deposits in Financial Institutions and Federal Funds Sold—The carrying amount is a reasonable estimate of fair value for these short-term instruments

Securities—The fair value of securities is determined by quoted market price, if available If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities

Loans Held for Investment and Sale—For certain homogeneous fixed-rate categories of loans (such as some residential mortgages and other consumer loans), fair value is estimated by discounting the future cash flows using the risk-free Treasury rate for the applicable maturity, adjusted for servicing and credit risk The carrying value of variable rate loans approximates fair value because the loans reprice frequently to current market rates

8. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows

	Year Ended December 31, 2010	2009
	(Dollars in thousands)	
Land	$ 55,776	$ 48,684
Buildings	117,063	110,229
Furniture, fixtures and equipment	25,097	22,445
Construction in progress	949	1,266
Total	198,885	182,624
Less accumulated depreciation	(39,832)	(33,769)
Premises and equipment, net	$159,053	$148,855

Depreciation expense was $8 3 million, $8 2 million and $7 7 million for the years ended December 31, 2010, 2009 and 2008 respectively

9. DEPOSITS

Included in interest-bearing deposits are certificates of deposit in amounts of $100,000 or more These certificates and their remaining maturities at December 31, 2010 were as follows

	December 31, 2010
	(Dollars in thousands)
Three months or less	$ 270,608
Over three through six months	298,953
Over six through 12 months	346,077
Over 12 months	162,562
Total	$1,078,200

Interest expense for certificates of deposit in excess of $100,000 was $19 5 million, $36 3 million and $37 5 million, for the years ended December 31, 2010, 2009 and 2008, respectively

The Company has no brokered deposits and there are no major concentrations of deposits with any one depositor

10. OTHER BORROWINGS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The Company utilizes borrowings to supplement deposits to fund its lending and investment activities Borrowings consist of funds from the Federal Home Loan Bank ("FHLB") and correspondent banks FHLB advances are considered short-term, overnight borrowings and used to control liquidity as needed At December 31, 2010, the Company had $374.4 million in FHLB borrowings, of which $14 4 million consisted of long-term FHLB notes payable and $360 0 million consisted of short-term overnight borrowings compared with $26 1 million in FHLB borrowings at December 31, 2009, all of which consisted of long-term FHLB notes payable FHLB advances are available to the Company under a security and pledge agreement At December 31, 2010, the Company had total funds of $3 28 billion available under this agreement of which $374 4 million was outstanding The weighted average interest rate paid on the FHLB notes payable at December 31, 2010 was 5 3% The maturity dates on the FHLB notes payable range from the years 2011 to 2028 and have interest rates ranging from 3 55% to 6 10% The highest outstanding balance of FHLB advances during 2010 was $465 0 million compared with $231 0 million during 2009 The average rate paid on FHLB advances for the year ended December 31, 2010 was 0 16%

Deferred tax assets and liabilities are as follows

	December 31, 2010	December 31, 2009
	(Dollars in thousands)	
Deferred tax assets		
Allowance for credit losses	$ 17,811	$ 17,854
Accrued liabilities	3,777	3,484
Certificates of deposit	34	64
Deferred compensation	310	338
ORE write-downs	465	—
Securities	680	989
Restricted stock	1,206	791
Other	26	—
Total deferred tax assets	24,309	23,520
Deferred tax liabilities		
Loans	$ (155)	$ (325)
Goodwill and core deposit intangibles	(13,723)	(13,032)
Unrealized gain on available for sale securities	(7,702)	(9,049)
Bank premises and equipment	(5,814)	(6,019)
Deferred loan fees and costs	(479)	(399)
Investments in partnerships	(8,785)	(7,857)
Prepaid expenses	(719)	(707)
Other	—	(8)
Total deferred tax liabilities	(37,377)	(37,396)
Net deferred tax liabilities	$(13,068)	$(13,876)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and estimates of future taxable income over the periods for which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences at December 31, 2010 The change in the Company's deferred tax assets and liabilities include purchase accounting adjustments

ASC Topic 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met The Company had no tax positions at December 31, 2010 or December 31, 2009 that did not meet the more-likely-than not recognition threshold ASC Topic 740 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties The Company's policy for recording interest and penalties associated with audits is to record such items as a component of income before taxes Penalties are recorded in other (gains) losses and interest paid or received is recorded in interest expense or interest income, respectively, in the consolidated statement of income As of December 31, 2010 and December 31, 2009, the Company has not accrued any interest and penalties related to unrecognized tax benefits The Company has identified its federal tax return and its state tax return in Texas as "major" tax jurisdictions, as defined The only periods subject to examination for the Company's federal return are the 2007 through 2009 tax years ranging from $17 99 to $18 86 per share The converted options are governed by the original plan under which they were issued Options to purchase a total of 16,000 shares of common stock of Bancshares granted under the 2004 Plan were outstanding at December 31, 2010

Stock options are issued at the current market price on the date of the grant, subject to a pre-determined vesting period with a contractual term of 10 years Options assumed in connection with acquisitions have contractual terms as established in the original option grant agreements entered into prior to acquisition The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model Stock-based compensation expense is recognized ratably over the requisite service period for all awards

The fair value of options was estimated using an option-pricing model with the following weighted average assumptions

	December 31,		
	2010	2009	2008
Expected life in years	5 19	5 12	5 03
Risk free interest rate	3 82%	3 94%	4 13%
Volatility[1]	21 12%	21 25%	21 21%
Dividend yield	1 23%	1 25%	1 21%

(1) Volatility is a measure of fluctuations in the Company's share price

A summary of changes in outstanding vested and unvested options during the three year period ended December 31, 2010 is set forth below

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
	(In thousands)			(In thousands)
Options outstanding, January 1, 2008	1,088	$23 26		
Options granted	5	24 43		
Options forfeited	(15)	21 11		
Options exercised	(161)	16 16		
Options outstanding, December 31, 2008	917	$24 58	5 36	$ 4,600
Options granted	72	30 64		
Options forfeited	(20)	28 40		
Options exercised	(113)	17 86		
Options outstanding, December 31, 2009	856	$25 88	4 97	$12,481
Options granted	—	—		
Options forfeited	(19)	25 68		
Options exercised	(141)	19 16		
Options outstanding, December 31, 2010	696	$27 24	4 48	$ 8,374
Options vested or expected to vest, December 31, 2010	675	$26 98	4 42	$ 8,302
Options vested, December 31, 2010	383	$25 69	3 64	$ 5,203

The total intrinsic value of the options exercised during the year ended December 31, 2010 and 2009 was $2 8 million and $2 6 million, respectively The total fair value of shares vested and forfeited during the year ended December 31, 2010 was $273,000 and $118,000, respectively

13. OTHER NONINTEREST INCOME AND EXPENSE

Other noninterest income and expense totals are presented in the following tables Components of these totals exceeding 1% of the aggregate of total net interest income and total noninterest income for any of the years presented and other amounts the Company elected to present are stated separately

	Years Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Other noninterest income			
Banking related service fees	$ 2,166	$ 2,009	$ 1,963
Brokered mortgage income	205	305	330
Income from leased assets	294	318	1,079
BOLI	1,658	1,344	2,011
(Losses) gains on sales of assets (net)	(3,860)	839	(1,486)
Other	3,120	3,540	2,688
Total	$ 3,583	$ 8,355	$ 6,585
Other noninterest expense			
Communications expense	$ 7,781	$ 8,466	$ 6,582
Ad valorem and franchise taxes	3,947	3,561	2,884
Regulatory assessments and FDIC insurance	11,039	13,662	1,843
Printing and supply expense	1,951	2,250	1,832
Travel and development expense	1,691	1,749	2,155
Professional fee expense	3,099	4,419	1,688
Other real estate expense	3,483	3,205	417
Other	7,919	8,331	6,040
Total	$40,910	$45,643	$23,441

14 PROFIT SHARING PLAN

The Company has adopted a profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code whereby the participants may contribute a percentage of their compensation as permitted under the Code Matching contributions are made at the discretion of the Company Presently, the Company matches 50% of an employee's contributions, up to 15% of such employee's compensation, not to exceed the maximum allowable pursuant to the Internal Revenue Code and excluding catch-up contributions Such matching contributions were approximately $2 0 million, $1 9 million and $1 7 million for the years ended December 31, 2010, 2009 and 2008, respectively

Substantially all of the Company's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for credit losses Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash funding requirements At December 31, 2010, $87 2 million of commitments to extend credit have fixed rates ranging from 1 65% to 18 00%

The Company evaluates customer creditworthiness on a case-by-case basis The amount of collateral obtained, if considered necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer

Leases—The following table presents a summary of non-cancelable future operating lease commitments as of December 31, 2010 (dollars in thousands)

2011	$ 5,606
2012	5,064
2013	4,229
2014	3,205
2015	2,113
Thereafter	1,376
Total	$21,593

It is expected that in the normal course of business, expiring leases will be renewed or replaced by leases on other property or equipment

Rent expense under all noncancelable operating lease obligations aggregated approximately $5 3 million for the year ended December 31, 2010, $5 1 million for the year ended December 31, 2009 and $4 7 million for the year ended December 31, 2008

Litigation—The Company has been named as a defendant in various legal actions arising in the normal course of business In the opinion of management, after reviewing such claims with outside counsel, resolution of such matters will not have a materially adverse impact on the consolidated financial statements

16. REGULATORY MATTERS

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies Any institution that fails to meet its minimum capital requirements is subject to actions by regulators that could have a direct material effect on the Company's and the Bank's financial statements Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines based on the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices The Company's and the Bank's capital amounts and the Bank's classification under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about the components, risk weightings and other factors

To meet the capital adequacy requirements, the Company and the Bank must maintain minimum capital amounts and ratios as defined in the regulations As of December 31, 2010, the Company and the Bank met all capital adequacy requirements to which they are subject

As of December 31, 2010, the most recent notification from the FDIC categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action To be categorized as well capitalized

17. JUNIOR SUBORDINATED DEBENTURES

At December 31, 2010 and 2009, the Company had outstanding $92 3 million in junior subordinated debentures issued to the Company's unconsolidated subsidiary trusts

A summary of pertinent information related to the Company's eight issues of junior subordinated debentures outstanding at December 31, 2010 is set forth in the table below

Description	Issuance Date	Trust Preferred Securities Outstanding	Interest Rate[1]	Junior Subordinated Debt Owed to Trusts	Maturity Date[2]
Prosperity Statutory Trust II	July 31, 2001	$15,000,000	3 month LIBOR + 3 58%, not to exceed 12 50%	$15,464,000	July 31, 2031
Prosperity Statutory Trust III	Aug 15, 2003	12,500,000	3 month LIBOR + 3 00%[3]	12,887,000	Sept 17, 2033
Prosperity Statutory Trust IV	Dec 30, 2003	12,500,000	3 month LIBOR + 2 85%[4]	12,887,000	Dec 30, 2033
SNB Capital Trust IV[5]	Sept 25, 2003	10,000,000	3 month LIBOR + 3 00%	10,310,000	Sept 25, 2033
TXUI Statutory Trust I[6]	Sept 07, 2000	7,000,000	10 60%	7,210,000	Sept 07, 2030
TXUI Statutory Trust II[6]	Dec 19, 2003	5,000,000	3 month LIBOR + 2 85%[7]	5,155,000	Dec 19, 2033
TXUI Statutory Trust III[6]	Nov 30, 2005	15,500,000	3 month LIBOR + 1 39%	15,980,000	Dec 15, 2035
TXUI Statutory Trust IV[6]	Mar 31, 2006	12,000,000	3 month LIBOR + 1 39%	12,372,000	June 30, 2036
				$92,265,000	

(1) The 3-month LIBOR in effect as of December 31, 2010 was 0 30281%
(2) All debentures are callable five years from issuance date except for TXUI Statutory Trust I which is callable ten years from issuance date
(3) The debentures bore a fixed interest rate of 6 50% until September 17, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 3 00%
(4) The debentures bore a fixed interest rate of 6 50% until December 30, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2 85%
(5) Assumed in connection with the SNB acquisition on April 1, 2006
(6) Assumed in connection with the TXUI acquisition on January 31, 2007
(7) The debentures bore a fixed interest rate until January 23, 2009, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2 85%

Each of the trusts is a capital or statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds in the Company's junior subordinated debentures The preferred trust securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust The common securities of each trust are wholly owned by the Company Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated debentures The debentures, which are the only assets of each trust, are subordinate and junior in right of payment to all of the Company's present and future senior indebtedness The Company has fully and unconditionally guaranteed each trust's obligations under the trust securities issued by such trust to the extent not paid or made by each trust, provided such trust has funds available for such obligations

Under the provisions of each issue of the debentures, the Company has the right to defer payment of interest on the debentures at any time, or from time to time, for periods not exceeding five years If interest payments on either issue of the debentures are deferred, the distributions on the applicable trust preferred securities and common securities will also be deferred

PROSPERITY BANCSHARES, INC.
(Parent Company Only)

CONDENSED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
OPERATING INCOME			
Dividends from subsidiaries	$ 27,400	$ 24,500	$63,000
Other income	150	164	265
Total income	27,550	24,664	63,265
OPERATING EXPENSE			
Junior subordinated debentures interest expense	3,250	3,760	6,439
Stock-based compensation expense (includes restricted stock)	3,037	1,515	1,542
Other expenses	358	380	673
Total operating expense	6,645	5,655	8,654
INCOME BEFORE INCOME TAX BENEFIT AND EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	20,905	19,009	54,611
FEDERAL INCOME TAX BENEFIT	2,191	1,792	2,753
INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	23,096	20,801	57,364
EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	104,612	91,078	27,143
NET INCOME	$127,708	$111,879	$84,507

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For The Fiscal Year Ended December 31, 2009

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 0-25051

PROSPERITY BANCSHARES, INC.®

(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	**74-2331986** (I R.S Employer Identification No)
Prosperity Bank Plaza **4295 San Felipe** **Houston, Texas** (Address of principal executive offices)	**77027** (Zip Code)

Registrant's Telephone Number, Including Area Code (713) 693-9300

Securities registered pursuant to Section 12(b) of the Act

Common Stock, par value $1.00 per share (Title of each class)	**NASDAQ Global Select Market** (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part I of the Form 10-K or any amendment of this Form 10-K ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller

PROSPERITY BANCSHARES, INC.®
2009 ANNUAL REPORT ON FORM 10-K

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From December 31, 1998 through December 31, 2009, the Company grew through internal growth and the completion of the llowing acquisitions

Acquired Entity	Acquired Bank	Completion Date	Number of Banking Centers As of December 31, 2009(1)
South Texas Bancshares, Inc	Commercial National Bank	1999	3
Compass Bank (5 branches)	N/A	2000	4
Commercial Bancshares, Inc	Heritage Bank	2001	12
Texas Guaranty Bank, N A	Same	2002	2
The First State Bank of Needville	Same	2002	—(2)
Paradigm Bancorporation, Inc	Paradigm Bank Texas	2002	8
Southwest Bank Holding Company	Bank of the Southwest	2002	2
First National Bank of Bay City	Same	2002	—(2)
Abrams Centre Bancshares, Inc	Abrams Centre National Bank	2003	1
Dallas Bancshares, Inc	BankDallas	2003	1
MainBancorp, Inc	*mainbank, n.a*	2003	3
First State Bank of North Texas	Same	2003	3
Liberty Bancshares, Inc	Liberty Bank, S S B	2004	4
Village Bank and Trust, s s b	Same	2004	1
First Capital Bankers, Inc	FirstCapital Bank, s s b	2005	20
Grapeland Bancshares, Inc	First State Bank of Grapeland	2005	2
SNB Bancshares, Inc	Southern National Bank of Texas	2006	6(3)
Texas United Bancshares, Inc	State Bank, GNB Financial, n a , Gateway National Bank and Northwest Bank	2007	34
The Bank of Navasota	Same	2007	1
Banco Popular, NA (6 branches)	N/A	2008	5
st Choice Bancorp	1st Choice Bank	2008	1
DIC (as receiver for Franklin Bank)(4)	N/A	2008	33

(1) The number of banking centers added does not include any locations of the acquired entity that were closed and consolidated with existing banking centers of the Company upon consummation of the transaction or closed after consummation of the transaction
(2) The only banking center of the acquired entity was closed and consolidated into an existing banking center of the Company
(3) Included one banking center under construction at the time of consummation
(4) Assumed approximately $3 6 billion of deposits and acquired certain assets, including thirty-three (33) banking centers, from the FDIC, acting in its capacity as receiver for Franklin Bank

Subsequent Events

On January 19, 2010, the Company announced the signing of a definitive agreement by Prosperity Bank to acquire the three (3) Texas retail bank branches of U S Bank Prosperity Bank will pay a premium for approximately $420 million in deposits, as well as purchase certain loans and other assets attributable to the branches The three locations being acquired by the Company are the Texas locations U S Bank acquired from the FDIC on October 30, 2009 when U S Bank acquired the nine (9) subsidiary banks of FBOP Corporation The Texas banks were Madisonville State Bank in Madisonville, Texas, Citizens National Bank in Teague, Texas, and North Houston Bank in Houston, Texas The agreement has been approved by the Board of Directors of both banks and is expected to close during the first quarter of 2010, although delays could occur The transaction is subject to certain conditions, including customary regulatory approvals

359,000 separate deposit accounts including certificates of deposit, 36,000 separate loan accounts and 20 6% of the Bank's total deposits were noninterest-bearing demand deposits For the year ended December 31, 2009, the Company's average cost of funds was 1 37% and the Company's average cost of deposits (excluding all borrowings) was 1 33%

The Company has been an active real estate lender, with commercial mortgage and 1-4 family residential loans comprising 37 4% and 21 0% of the Company's total loans as of December 31, 2009, respectively The Company also offers commercial loans, loans for automobiles and other consumer durables, home equity loans, debit cards, internet banking and other cash management services and automated telephone banking By offering certificates of deposit, interest checking accounts, savings accounts and overdraft protection at competitive rates, the Company gives its depositors a full range of traditional deposit products

The businesses targeted by the Company in its lending efforts are primarily those that require loans in the $100,000 to $8 0 million range The Company offers these businesses a broad array of loan products including term loans, lines of credit and loans for working capital, business expansion and the purchase of equipment and machinery, interim construction loans for builders and owner-occupied commercial real estate loans

Business Strategies

The Company's main objective is to increase deposits and loans internally, as well as through additional expansion opportunities, while maintaining efficiency and individualized customer service and maximizing profitability To achieve this objective, the Company has employed the following strategic goals

Continue Community Banking Emphasis The Company intends to continue operating as a community banking organization focused on meeting the specific needs of consumers and small and medium-sized businesses in its market areas The Company provides a high degree of responsiveness combined with a wide variety of banking products and services The Company staffs its banking centers with experienced bankers with lending expertise in the specific industries found in the given community, and gives them authority to make certain pricing and credit decisions, avoiding the bureaucratic structure of larger banks

Expand Market Share Through Internal Growth and a Disciplined Acquisition Strategy The Company intends to continue seeking opportunities, both inside and outside its existing markets, to expand either by acquiring existing banks or branches of banks, including FDIC assisted purchases, or by establishing new banking centers All of the Company's acquisitions have been accretive to earnings within 12 months after acquisition date and generally have supplied the Company with relatively low-cost deposits which have been used to fund the Company's lending and investing activities. However, the Company makes no guarantee that future acquisitions, if any, will be accretive to earnings within any particular time period Factors used by the Company to evaluate expansion opportunities include (i) the similarity in management and operating philosophies, (ii) whether the acquisition will be accretive to earnings and enhance shareholder value, (iii) the ability to improve the efficiency ratio through economies of scale, (iv) whether the acquisition will strategically expand the Company's geographic footprint, and (v) the opportunity to enhance the Company's market presence in existing market areas

Increase Loan Volume and Diversify Loan Portfolio While maintaining its conservative approach to lending, the Company has emphasized both new and existing loan products, focusing on managing its commercial mortgage and commercial loan portfolios During the two-year period from December 31, 2007 to December 31, 2009, the Company's commercial and industrial loans decreased from $436 3 million to $393.0 million, or 9 9%, and represented 13 9% and 11 6% of the total portfolio, respectively Commercial mortgages increased from $1 08 billion to $1 26 billion, or 17 3%, and represented 34 2% and 37 4% of the total portfolio, respectively, for the same period In addition, the Company targets professional service firms, including legal and medical practices, for both loans secured by owner-occupied premises and personal loans to their principals

System ("Federal Reserve Board") The Gramm-Leach-Bliley Act, the BHCA and other federal laws subject financial and bank holding companies to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations

Regulatory Restrictions on Dividends, Source of Strength It is the policy of the Federal Reserve Board that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition The policy provides that bank holding companies should not maintain a level of cash dividends that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiaries

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each of its banking subsidiaries and commit resources to their support Such support may be required at times when, absent this Federal Reserve Board policy, a holding company may not be inclined to provide it As discussed below, a bank holding company, in certain circumstances, could be required to guarantee the capital plan of an undercapitalized banking subsidiary

In the event of a bank holding company's bankruptcy under Chapter 11 of the U S Bankruptcy Code, the trustee will be deemed to have assumed and is required to cure immediately any deficit under any commitment by the debtor holding company to any of the federal banking agencies to maintain the capital of an insured depository institution Any claim for breach of such obligation will generally have priority over most other unsecured claims

Scope of Permissible Activities Under the BHCA, bank holding companies generally may not acquire a direct or indirect interest in or control of more than 5% of the voting shares of any company that is not a bank or bank holding company or from engaging in activities other than those of banking, managing or controlling banks or furnishing services to or performing services for its subsidiaries, except that it may engage in, directly or indirectly, certain activities that the Federal Reserve Board has determined to be closely related to banking or managing and controlling banks as to be a proper incident thereto In approving acquisitions or the addition of activities, the Federal Reserve considers, among other things, whether the acquisition or the additional activities can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh such possible adverse effects as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices

Notwithstanding the foregoing, the Gramm-Leach-Bliley Act, effective March 11, 2000, eliminated the barriers to affiliations among banks, securities firms, insurance companies and other financial service providers and permits bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature The Gramm-Leach- Bliley Act defines "financial in nature" to include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking activities, and activities that the Federal Reserve Board has determined to be closely related to banking No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board

A bank holding company may become a financial holding company by filing a declaration with the Federal Reserve Board if each of its subsidiary banks is well capitalized under the Federal Deposit Insurance Corporation Improvement Act prompt-corrective-action provisions, is well managed, and has at least a satisfactory rating under the Community Reinvestment Act of 1977 ("CRA") The Company became a financial holding company on April 18, 2000 banking organizations and other systemically important institutions The Treasury Policy Statement calls for, among other things, higher and stronger capital requirements for all banking firms The Treasury Policy Statement suggested that changes to the regulatory capital framework be phased in over a period of several years The recommended schedule provides for a comprehensive international agreement by December 31, 2010, with the implementation of reforms by December 31, 2012, although it does remain possible that federal banking regulatory agencies could officially adopt, or informally implement, new capital standards at an earlier date

On December 17, 2009, the Basel Committee on Banking Supervision issued a set of proposals (the "Capital Proposals") that would significantly revise the definitions of Tier 1 capital and Tier 2 capital, with the most significant changes being to Tier 1 capital Most notably, the Capital Proposals would disqualify certain structured capital instruments, such as trust preferred securities, from Tier 1 capital status The Capital Proposals would also re-emphasize that common equity is the predominant component of Tier 1 capital by adding a minimum common equity to risk-weighted assets ratio and requiring that goodwill, general intangibles and certain other items that currently must be deducted from Tier 1 capital instead be deducted from common equity as a component of Tier 1 capital The Capital Proposals also leave open the possibility that the committee will recommend changes to the minimum Tier 1 capital and total capital ratios of 4 0% and 8 0%, respectively

Concurrently with the release of the Capital Proposals, the committee also released a set of proposals related to liquidity risk exposure (the "Liquidity Proposals") The Liquidity Proposals have three key elements, including the implementation of (i) a "liquidity coverage ratio" designed to ensure that a bank maintains an adequate level of unencumbered, high-quality assets sufficient to meet the bank's liquidity needs over a 30-day time horizon under an acute liquidity stress scenario, (ii) a "net stable funding ratio" designed to promote more medium and long-term funding of the assets and activities of banks over a one-year time horizon, and (iii) a set of monitoring tools that the committee indicates should be considered as the minimum types of information that banks should report to supervisors and that supervisors should use in monitoring the liquidity risk profiles of supervised entities

Imposition of Liability for Undercapitalized Subsidiaries Bank regulators are required to take "prompt corrective action" to resolve problems associated with insured depository institutions whose capital declines below certain levels In the event an institution becomes "undercapitalized," it must submit a capital restoration plan The capital restoration plan will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan up to a certain specified amount Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy

The aggregate liability of the holding company of an undercapitalized bank is limited to the lesser of 5% of the institution's assets at the time it became undercapitalized or the amount necessary to cause the institution to be "adequately capitalized " The bank regulators have greater power in situations where an institution becomes "significantly" or "critically" undercapitalized or fails to submit a capital restoration plan For example, a bank holding company controlling such an institution can be required to obtain prior Federal Reserve Board approval of proposed dividends, or might be required to consent to a consolidation or to divest the troubled institution or other affiliates

Acquisitions by Bank Holding Companies The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve Board before it may acquire all or substantially all of the assets of any bank, or ownership or control of any voting shares of any bank, if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank In approving bank acquisitions by bank holding companies, the Federal Reserve Board is required to consider, among other things, the financial and managerial resources and future prospects of the bank holding company and the banks concerned, the convenience and needs of the communities to be served and various competitive factors

Although the powers of state chartered banks are not specifically addressed in the Gramm-Leach-Bliley Act, Texas-chartered anks such as the Bank, will have the same if not greater powers as national banks through the parity provision contained in the Texas Constitution

Branching Texas law provides that a Texas-chartered bank can establish a branch anywhere in Texas provided that the branch is approved in advance by the Texas Banking Department The branch must also be approved by the FDIC, which considers a number of factors, including financial history, capital adequacy, earnings prospects, character of management, needs of the community and consistency with corporate powers

Restrictions on Transactions with Affiliates and Insiders. Transactions between the Bank and its nonbanking affiliates, including the Company, are subject to Section 23A of the Federal Reserve Act In general, Section 23A imposes limits on the amount of such transactions, and also requires certain levels of collateral for loans to affiliated parties It also limits the amount of advances to third parties which are collateralized by the securities or obligations of the Company or its subsidiaries

Affiliate transactions are also subject to Section 23B of the Federal Reserve Act which generally requires that certain transactions between the Bank and its affiliates be on terms substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving other nonaffiliated persons The Federal Reserve has also issued Regulation W which codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act and interpretive guidance with respect to affiliate transactions

The restrictions on loans to directors, executive officers, principal shareholders and their related interests (collectively referred to herein as "insiders") contained in the Federal Reserve Act and Regulation O apply to all insured institutions and their subsidiaries and holding companies These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made There is also an aggregate limitation on all loans to insiders and their related interests These loans cannot exceed the institution's total unimpaired capital and surplus, and the FDIC may determine that a lesser amount is appropriate Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions

Restrictions on Distribution of Subsidiary Bank Dividends and Assets Dividends paid by the Bank have provided a substantial part of the Company's operating funds and for the foreseeable future it is anticipated that dividends paid by the Bank to the Company will continue to be the Company's principal source of operating funds Capital adequacy requirements serve to limit the amount of ividends that may be paid by the Bank Under federal law, the Bank cannot pay a dividend if, after paying the dividend, the Bank ill be "undercapitalized" The FDIC may declare a dividend payment to be unsafe and unsound even though the Bank would continue to meet its capital requirements after the dividend Because the Company is a legal entity separate and distinct from its subsidiaries, its right to participate in the distribution of assets of any subsidiary upon the subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors In the event of a liquidation or other resolution of an insured depository institution, the claims of depositors and other general or subordinated creditors are entitled to a priority of payment over the claims of holders of any obligation of the institution to its shareholders, including any depository institution holding company (such as the Company) or any shareholder or creditor thereof

Examinations The FDIC periodically examines and evaluates state member banks Based on such an evaluation, the FDIC may revalue the assets of the institution and require that it establish specific reserves to compensate for the difference between the FDIC-determined value and the book value of such assets The Texas Banking Department also conducts examinations of state banks but may accept the results of a federal examination in lieu of conducting an independent examination In addition, the FDIC and Texas Banking Department may elect to conduct a joint examination

Audit Reports Insured institutions with total assets of $500 million or more must submit annual audit reports prepared by independent auditors to federal and state regulators In some instances, the audit report of the

Banks with risk-based capital and leverage ratios below the required minimums may also be subject to certain administrative actions, including the termination of deposit insurance upon notice and hearing, or a temporary suspension of insurance without a hearing in the event the institution has no tangible capital

Deposit Insurance Assessments Substantially all of the deposits of the Bank are insured up to applicable limits by the DIF of the FDIC and the Bank must pay deposit insurance assessments to the FDIC for such deposit insurance protection

The FDIC maintains the DIF by designating a reserve ratio between a range of 1 15% to 1 50% If the reserve ratio falls below 1 15%, the FDIC must adopt a restoration plan that provides that the DIF will return to 1 15% generally within 5 years If the reserve ratio equals or exceeds 1 35%, the FDIC must determine whether to declare a dividend to DIF members Generally and unless otherwise determined by the FDIC, if the reserve ratio equals or exceeds 1 35% the FDIC declares a dividend equal to 50% of the amount in excess of the amount required to maintain the reserve ratio at 1 35% and when the reserve ratio exceeds 1 50% the FDIC declares a dividend equal to the amount in excess of the amount required to maintain the reserve ration at 1 50% The designated reserve ratio is currently set at 1 25% The FDIC has the discretion to price deposit insurance according to the risk for all insured institutions regardless of the level of the reserve ratio

The DIF reserve ratio is maintained by assessing depository institutions an insurance premium based upon statutory factors that include the balance of insured deposits as well as the degree of risk the institution poses to the insurance fund Under a risk-based assessment system required by the FDICIA, FDIC-insured depository institutions pay quarterly insurance premiums at rates based on their risk classification Institutions assigned to higher-risk classifications (that is, institutions that pose a greater risk of loss to their respective deposit insurance funds) pay assessments at higher rates than institutions that pose a lower risk An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to regulators An institution's risk assignment includes assignment to Risk Category I, II, III, or IV

On January 1, 2009, the FDIC increased the DIF assessment rates as part of the FDIC's DIF restoration plan Effective April 1, 2009, total base assessment rates range from 7 to 24 basis points for Risk Category I institutions, 17 to 43 basis points for Risk Category II institutions, 27 to 58 basis points for Risk Category III institutions, and 40 to 77 5 basis points for Risk Category IV institutions Assessments are paid quarterly by all institutions and are based upon the assessment base that an institution reports at the end of that quarter Risk assessments remain in effect for future assessment periods until changed by the FDIC

In May 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution's total assets less Tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits The special assessment was paid September 30, 2009 and was part of the FDIC's efforts to rebuild the DIF The Company's deposit insurance expense during 2009 included approximately $4 2 million recognized in the second quarter related to the special assessment

In November 2009, the FDIC issued a rule that required all insured depository institutions, with limited exceptions, to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 on December 30, 2009 The assessment was calculated by taking the institution's actual September 30, 2009 assessment base and increasing it quarterly by an estimated 5% annual growth rate through the end of 2012 The FDIC also adopted a uniform three basis point increase in assessment rates effective on January 1, 2011 Under GAAP accounting rules, the prepaid assessments would not immediately affect a bank's earnings Each institution records the entire amount of the prepaid assessment as a prepaid expense, an asset on its balance sheet, as of December 30, 2009, the date the payment was made As of December 31, 2009, and each quarter thereafter, each institution records an expense for its quarterly assessment invoiced on its quarterly statement and an offsetting credit to the prepaid assessment until the asset is exhausted. The FDIC would also have the authority to exercise its discretion as supervisor and insurer to exempt an institution from the prepayment requirement if the FDIC determines that the prepayment would significantly impair the institution's liquidity or would otherwise create significant hardship

Consumer Laws and Regulations In addition to the laws and regulations discussed herein, the Bank is also subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks While the list set forth herein is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, and the Fair Housing Act, among others These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits or making loans to such customers The Bank must comply with the applicable provisions of these consumer protection laws and regulations as part of their ongoing customer relations

Anti-Money Laundering and Anti-Terrorism Legislation Congress enacted the Bank Secrecy Act of 1970 ("BSA") to require financial institutions, including the Company and the Bank, to maintain certain records and to report certain transactions to prevent such institutions from being used to hide money derived from criminal activity and tax evasion The BSA establishes, among other things, (i) record keeping requirements to assist government enforcement agencies in tracing financial transactions and flow of funds, (ii) reporting requirements for Suspicious Activity Reports and Currency Transaction Reports to assist government enforcement agencies in detecting patterns of criminal activity, (iii) enforcement provisions authorizing criminal and civil penalties for illegal activities and violations of the BSA and its implementing regulations, and (iv) safe harbor provisions that protect financial institutions from civil liability for their cooperative efforts

Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("Patriot Act") enacted in October 2001 amended the BSA and incorporates anti-terrorist financing provisions into the requirements of the BSA and its implementing regulations Among other things, the Patriot Act requires all financial institutions, including the Company and the Bank, to institute and maintain a risk-based anti-money laundering compliance program that (i) includes a customer identification program, (ii) provides for information sharing with law enforcement and between certain financial institutions by means of an exemption from the privacy provisions of the Gramm-Leach-Bliley Act, (iii) prohibits U S banks and broker-dealers from maintaining accounts with foreign "shell" banks, (iv) establishes due diligence and enhanced due diligence requirements for certain foreign correspondent banking and foreign private banking accounts and (v) imposes additional record keeping requirements for certain correspondent banking arrangements The Patriot Act also grants broad authority to the Secretary of the Treasury to take actions to combat money laundering, and federal bank regulators are required to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve any application submitted by a financial institution The Company and the Bank have adopted policies, procedures and controls designed to comply with the BSA and the Patriot Act.

The Department of the Treasury's Office of Foreign Asset Control ("OFAC") administers and enforces economic and trade sanctions against targeted foreign countries, entities and individuals based on U S foreign policy and national security goals As a result, financial institutions, including the Company and the Bank, must scrutinize transactions to ensure that they do not represent obligations of, or ownership interests in, entities owned or controlled by sanctioned targets In addition, the Company and the Bank restrict transactions with certain targeted countries except as permitted by OFAC

Privacy In addition to expanding the activities in which banks and bank holding companies may engage, the Gramm-Leach-Bliley Act also imposed new requirements on financial institutions with respect to customer privacy The Gramm-Leach-Bliley Act generally prohibits disclosure of customer information to non-affiliated third parties unless the customer has been given the opportunity to object and has not objected to such disclosure Financial institutions are further required to disclose their privacy policies to customers annually Financial institutions, however, will be required to comply with state law if it is more protective of customer privacy than the Gramm-Leach-Bliley Act

The scope and content of the U S banking regulators' policies on executive compensation are continuing to develop and are kely to continue evolving in the near future It cannot be determined at this time whether compliance with such policies will adversely affect the Company's ability to hire, retain and motivate its key employees

Enforcement Powers of Federal and State Banking Agencies

The federal banking agencies have broad enforcement powers, including the power to terminate deposit insurance, impose substantial fines and other civil and criminal penalties, and appoint a conservator or receiver Failure to comply with applicable laws, regulations, and supervisory agreements could subject the Company or the Bank and their subsidiaries, as well as officers, directors, and other institution-affiliated parties of these organizations, to administrative sanctions and potentially substantial civil money penalties In addition to the grounds discussed above under "—The Bank—Corrective Measures for Capital Deficiencies," the appropriate federal banking agency may appoint the FDIC as conservator or receiver for a banking institution (or the FDIC may appoint itself, under certain circumstances) if any one or more of a number of circumstances exist, including, without limitation, the fact that the banking institution is undercapitalized and has no reasonable prospect of becoming adequately capitalized, fails to become adequately capitalized when required to do so, fails to submit a timely and acceptable capital restoration plan, or materially fails to implement an accepted capital restoration plan The Texas Department of Banking also has broad enforcement powers over the Bank, including the power to impose orders, remove officers and directors, impose fines and appoint supervisors and conservators

Effect on Economic Environment

The policies of regulatory authorities, including the monetary policy of the Federal Reserve Board, have a significant effect on the operating results of bank holding companies and their subsidiaries Among the means available to the Federal Reserve Board to affect the money supply are open market operations in U S government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid for deposits

Federal Reserve Board monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future The nature of future monetary policies and the effect of such policies on the business and rnings of the Company and its subsidiaries cannot be predicted

ITEM 1A. RISK FACTORS

An investment in the Company's Common Stock involves risks The following is a description of the material risks and uncertainties that the Company believes affect its business and an investment in the Common Stock Additional risks and uncertainties that the Company is unaware of, or that it currently deems immaterial, also may become important factors that affect the Company and its business If any of the risks described in this Annual Report on Form 10-K were to occur, the Company's financial condition, results of operations and cash flows could be materially and adversely affected If this were to happen, the value of the Common Stock could decline significantly and you could lose all or part of your investment

Risks Associated with the Company's Business

If the Company is not able to continue its historical levels of growth, it may not be able to maintain its historical earnings trends.

To achieve its past levels of growth, the Company has initiated internal growth programs and completed a number of acquisitions The Company may not be able to sustain its historical rate of growth or may not be able

A prolonged national economic recession or further deterioration of these conditions in the Company's markets could drive osses beyond that which is provided for in its allowance for credit losses and result in the following consequences

- increases in loan delinquencies,
- increases in nonperforming assets and foreclosures,
- decreases in demand for the Company's products and services, which could adversely affect its liquidity position, and
- decreases in the value of the collateral securing the Company's loans, especially real estate, which could reduce customers' borrowing power

While economic conditions in the State of Texas and the U S are showing signs of recovery, there can be no assurance that these difficult conditions will continue to improve A worsening of these conditions would likely exacerbate the adverse effects of these difficult economic conditions on the Company, its customers and the other financial institutions in its market As a result, the Company may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds

Liquidity risk could impair the Company's ability to fund operations and jeopardize its financial condition.

Liquidity is essential to the Company's business An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on its liquidity The Company's access to funding sources in amounts adequate to finance its activities or on terms which are acceptable to it could be impaired by factors that affect the Company specifically or the financial services industry or economy in general Factors that could detrimentally impact the Company's access to liquidity sources include a decrease in the level of its business activity as a result of a downturn in the markets in which its loans are concentrated or adverse regulatory action against it The Company's ability to borrow could also be impaired by factors that are not specific to it, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets

If the Company is unable to identify and acquire other financial institutions and successfully integrate its acquired businesses, its business and earnings may be negatively affected.

The market for acquisitions remains highly competitive, and the Company may be unable to find acquisition candidates in the iture that fit its acquisition and growth strategy To the extent that the Company is unable to find suitable acquisition candidates, an important component of its growth strategy may be lost

Acquisitions of financial institutions involve operational risks and uncertainties and acquired companies may have unforeseen liabilities, exposure to asset quality problems, key employee and customer retention problems and other problems that could negatively affect the Company's organization The Company may not be able to complete future acquisitions and, if completed, the Company may not be able to successfully integrate the operations, management, products and services of the entities that it acquires and eliminate redundancies The integration process could result in the loss of key employees or disruption of the combined entity's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect the Company's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the transaction The integration process may also require significant time and attention from the Company's management that they would otherwise direct at servicing existing business and developing new business The Company's failure to successfully integrate the entities it acquires into its existing operations may increase its operating costs significantly and adversely affect its business and earnings

The Company's profitability depends significantly on local economic conditions.

The Company's success depends primarily on the general economic conditions of the primary markets in Texas in which it operates and where its loans are concentrated Unlike larger banks that are more geographically diversified, the Company provides banking and financial services to customers primarily in the greater Houston and Dallas metropolitan areas and in the east, central, north central, south central and southeast areas of Texas The local economic conditions in these areas have a significant impact on the Company's commercial, real estate and construction and land development loans, the ability of its borrowers to repay their loans and the value of the collateral securing these loans In addition, if the population or income growth in the Company's market areas is slower than projected, income levels, deposits and housing starts could be adversely affected and could result in a reduction of the Company's expansion, growth and profitability Although economic conditions in Texas have not deteriorated to the same extent as in other areas, such conditions could decline further If the Company's market areas experience a downturn or a recession for a prolonged period of time, the Company would likely experience significant increases in nonperforming loans, which could lead to operating losses, impaired liquidity and eroding capital A significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic calamities, unemployment or other factors could impact these local economic conditions and could negatively affect the Company's financial condition, results of operations and cash flows

The Company's allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect its earnings.

As a lender, the Company is exposed to the risk that its loan customers may not repay their loans according to the terms of these loans and the collateral securing the payment of these loans may be insufficient to fully compensate the Company for the outstanding balance of the loan plus the costs to dispose of the collateral Management makes various assumptions and judgments about the collectibility of the Company's loan portfolio, including the diversification by industry of its commercial loan portfolio, the amount of nonperforming assets and related collateral, the volume, growth and composition of its loan portfolio, the effects on the loan portfolio of current economic indicators and their probable impact on borrowers and the evaluation of its loan portfolio through its internal loan review process and other relevant factors

The Company maintains an allowance for credit losses in an attempt to cover estimated losses inherent in its loan portfolio Additional credit losses will likely occur in the future and may occur at a rate greater than the Company has experienced to date In determining the size of the allowance, the Company relies on an analysis of its loan portfolio, its historical loss experience and its evaluation of general economic conditions Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for credit losses If the Company's assumptions prove to be incorrect or if it experiences significant loan losses in future periods, its current allowance may not be sufficient to cover actual loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in its loan portfolio A material addition to the allowance could cause net income and possibly, capital, to decrease

In addition, federal and state regulators periodically review the Company's allowance for credit losses and may require the Company to increase its provision for credit losses or recognize further charge-offs, based on judgments different than those of the Company's management Any increase in the Company's allowance for credit losses or charge-offs as required by these regulatory agencies could have a material adverse effect on the Company's operating results and financial condition the end of 2012 Under GAAP accounting rules, the prepaid assessments would not immediately affect a bank's earnings Each institution records the entire amount of the prepaid assessment as a prepaid expense, an asset on its balance sheet, as of December 30, 2009, the date the payment was made As of December 31, 2009, and each quarter thereafter, each institution records an expense for its quarterly assessment invoiced on its quarterly statement and an offsetting credit to the prepaid assessment until the asset is exhausted The FDIC also adopted a uniform three basis point increase in assessment rates effective on January 1, 2011

These higher FDIC assessment rates will have an adverse impact on the Company's results of operations For the year ended December 31, 2009, the Company's FDIC insurance related costs were $13 7 million compared with $1 8 million and $1 0 million for the years ended December 31, 2008 and 2007, respectively The Company is unable to predict the impact in future periods, including whether and when additional special assessments may occur

The Company may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client In addition, the Company's credit risk may be exacerbated when the collateral held by the Company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Company Any such losses could have a material adverse effect on the Company's financial condition, results of operations and cash flows

The Company may need to raise additional capital in the future and such capital may not be available when needed or at all.

The Company may need to raise additional capital in the future to provide it with sufficient capital resources and liquidity to meet its commitments and business needs In addition, the Company may elect to raise additional capital to support its business or to finance acquisitions, if any The Company's ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of its control, and its financial performance The ongoing liquidity crisis and the loss of confidence in financial institutions may increase the Company's cost of funding and limit its access to some of its customary sources of capital, including, but not limited to, inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve

The Company cannot assure you that such capital will be available to it on acceptable terms or at all Any occurrence that may limit its access to the capital markets, such as a decline in the confidence of investors, depositors of the Banks or counterparties participating in the capital markets, may adversely affect the Company's capital costs and its ability to raise capital and, in turn, its liquidity An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on the Company's business, financial condition and results of operations

An interruption in or breach in security of the Company's information systems may result in a loss of customer business and have an adverse effect on the Company's results of operations, financial condition and cash flows.

The Company relies heavily on communications and information systems to conduct its business Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, deposits, servicing or loan origination systems. Although the Company has policies and procedures designed to prevent or minimize the effect of a failure, interruption or breach in security of its communications or information systems, there can be no assurance that any such failures, misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation The sources ˉthe misrepresentations are often difficult to locate, and it is often difficult to recover any of the monetary losses the Company may suffer

Risks Associated with the Company's Common Stock

The Company's corporate organizational documents and the provisions of Texas law to which it is subject may delay or prevent a change in control of the Company that you may favor.

The Company's amended and restated articles of incorporation and amended and restated bylaws contain various provisions which may delay, discourage or prevent an attempted acquisition or change of control of the Company These provisions include

- a board of directors classified into three classes of directors with the directors of each class having staggered three-year terms,
- a provision that any special meeting of the Company's shareholders may be called only by the chairman of the board and chief executive officer, the president, a majority of the board of directors or the holders of at least 50% of the Company's shares entitled to vote at the meeting,
- a provision establishing certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at an annual or special meeting of shareholders, and
- a provision that denies shareholders the right to amend the Company's bylaws

The Company's articles of incorporation provide for noncumulative voting for directors and authorize the board of directors to issue shares of its preferred stock without shareholder approval and upon such terms as the board of directors may determine The issuance of the Company's preferred stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in the Company In addition, certain provisions of Texas law, including a provision which restricts certain business combinations between a Texas corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of the Company

The holders of the Company's junior subordinated debentures have rights that are senior to those of the Company's shareholders.

As of December 31, 2009, the Company had $92 3 million in junior subordinated debentures outstanding that were issued to the Company's unconsolidated subsidiary trusts The subsidiary trusts purchased the junior subordinated debentures from the Company using the proceeds from the sale of trust preferred securities to third party investors Payments of the principal and interest on the trust preferred securities are conditionally guaranteed by the Company to the extent not paid or made by each trust, provided the trust has funds available for such obligations

The junior subordinated debentures are senior to the Company's shares of Common Stock As a result, the Company must make interest payments on the junior subordinated debentures (and the related trust preferred securities) before any dividends can be paid on its Common Stock, and, in the event of the Company's bankruptcy, dissolution or liquidation, the holders of the debentures must be satisfied before any distributions can be made to the holders of the Common Stock Additionally, the Company has the right to defer periodic distributions on the junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time the Company would be prohibited from paying dividends on its Common Stock The Company's ability to pay the future distributions depends upon the earnings of the Bank and dividends from the Bank to the Company, which may be inadequate to service the obligations

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Market Prices

The Company's Common Stock is listed on the NASDAQ Global Select Market under the symbol "PRSP " As of February 24, 2010, there were 46,546,576 shares outstanding and 2,049 shareholders of record The number of beneficial owners is unknown to the Company at this time

The following table presents the high and low intra-day sales prices for the Common Stock as reported by NASDAQ during the two years ended December 31, 2009

2009	High	Low
Fourth Quarter	$41.18	$33 62
Third Quarter	37 36	28 13
Second Quarter	31.23	26 20
First Quarter	30 00	20 04

2008	High	Low
Fourth Quarter	$36 98	$25 08
Third Quarter	46 48	23 32
Second Quarter	32.29	25.37
First Quarter	31 46	21 96

Dividends

Holders of Common Stock are entitled to receive dividends when, as and if declared by the Company's Board of Directors out of funds legally available therefor. While the Company has declared dividends on its Common Stock since 1994, and paid quarterly dividends aggregating $0 5675 per share in 2009 and $0 5125 share in 2008, there is no assurance that the Company will continue to ay dividends in the future Future dividends on the Common Stock will depend upon the Company's earnings and financial ondition, liquidity and capital requirements, the general economic and regulatory climate, the Company's ability to service any equity or debt obligations senior to the Common Stock and other factors deemed relevant by the board of directors of the Company

As a holding company, the Company is ultimately dependent upon its subsidiaries to provide funding for its operating expenses, debt service and dividends Various banking laws applicable to the Bank limit the payment of dividends and other distributions by the Bank to the Company, and may therefore limit the Company's ability to pay dividends on its Common Stock If required payments on the Company's outstanding junior subordinated debentures held by its unconsolidated subsidiary trusts are not made or suspended, the Company will be prohibited from paying dividends on its Common Stock Regulatory authorities could impose administratively stricter limitations on the ability of the Bank to pay dividends to the Company if such limits were deemed appropriate to preserve certain capital adequacy requirements

The cash dividends declared per share by quarter (and paid on the first business day of the subsequent quarter) for the Company's last two fiscal years were as follows

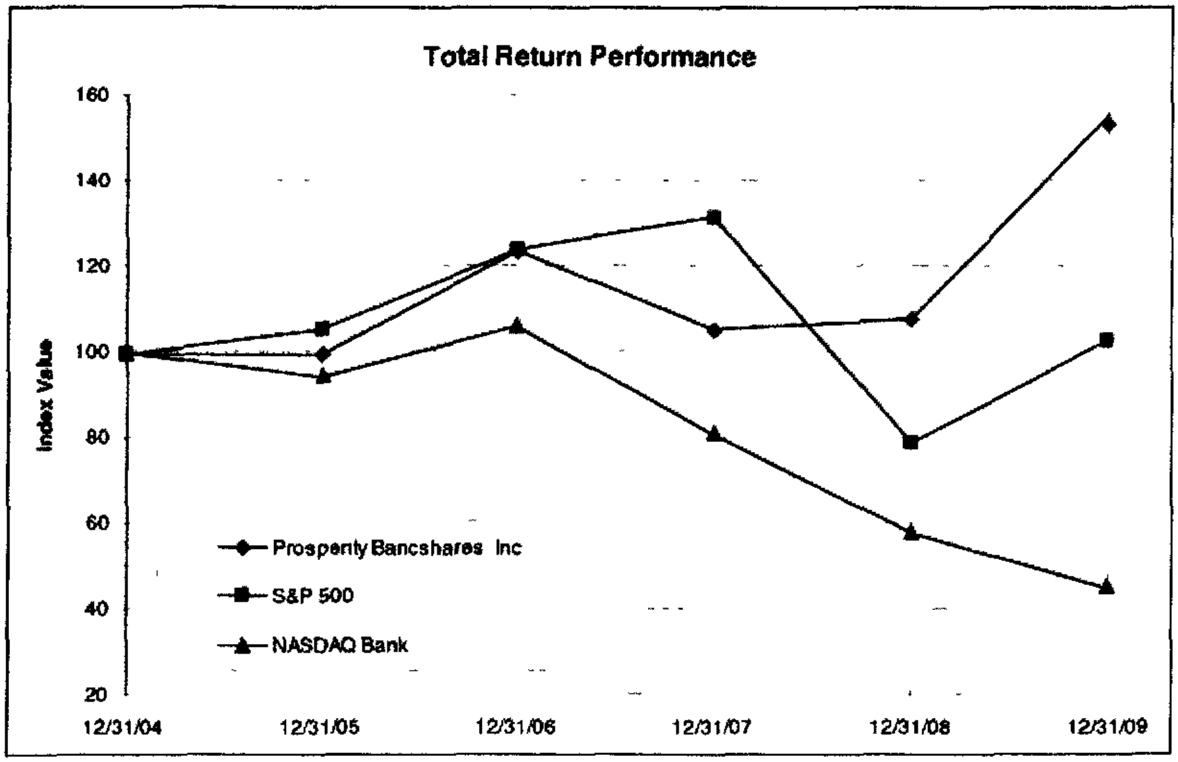
	2009	2008
Fourth quarter	$0.1550	$0.1375
Third quarter	0 1375	0 1250
Second quarter	0 1375	0 1250
First quarter	0 1375	0 1250

Performance Graph

The following Performance Graph compares the cumulative total shareholder return on the Company's Common Stock for the period beginning at the close of trading on December 31, 2004 to December 31, 2009, with the cumulative total return of the S&P 500 Total Return Index and the Nasdaq Bank Index for the same period Dividend reinvestment has been assumed. The Performance Graph assumes $100 invested on December 31, 2004 in the Company's Common Stock, the S&P 500 Total Return Index and the Nasdaq Bank Index The historical stock price performance for the Company's Common Stock shown on the graph below is not necessarily indicative of future stock performance

Comparison of 5 Year Cumulative Total Return
Prosperity Bancshares, Inc., the S&P 500 Index
And the Nasdaq Bank Index

Prosperity Bancshares, Inc.®



Index	*Period Ending* 12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
Prosperity Bancshares, Inc ®	100.00	99 60	121 11	104 61	107.18	149 32
S&P 500	100 00	104 91	121 48	128 16	80 74	102 11
NASDAQ Bank	100.00	95 67	106 20	82.76	62.96	51 31

Source . SNL Financial LC, Charlottesville, VA (434) 977-1600
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	As of and for the Years Ended December 31,				
	2009	2008(1)	2007	2006	2005
	(Dollars in thousands, except per share data)				
Performance Ratios:					
Return on average assets	1 26%	1 20%(4)	1 38%(5)	1 44%	1 42%
Return on average equity	8.57	7 09(4)	8 09(5)	10.24	11 56
Net interest margin (tax equivalent)	4 08	3 96	4 06	3 80	3 81
Efficiency ratio(6)	46.27	46.51	46 19	45 27	48 91
Asset Quality Ratios(7):					
Nonperforming assets to total loans and other real estate	0 48%	0 40%	0 49%	0 05%	0 09%
Net charge-offs to average loans	0 40	0 23	0 18	0 04	0 03
Allowance for credit losses to total loans	1 54	1 04	1.04	1.10	1 12
Allowance for credit losses to nonperforming loans(8)	616 6	379 7	634 7	2,530 6	1,505 1
Capital Ratios(7):					
Leverage ratio	6 47%	5 68%	8 09%	7 76%	7 83%
Average shareholders' equity to average total assets	14.74	16 97	17.07	14 07	12.31
Tier 1 risk-based capital ratio	12 61	10 27	13 13	13 52	15 34
Total risk-based capital ratio	13 86	11.17	14 11	14.55	16 37

(1) The Company completed the acquisition of six branches of Banco Popular on January 10, 2008, the acquisition of 1st Choice Bancorp, Inc on June 1, 2008 and the assumption of $3.6 billion in deposits and $724 0 million in assets from the FDIC related to Franklin Bank on November 7, 2008

(2) Net income for the year ended December 31, 2008 includes a $14 0 million pre-tax, or $9 1 million after-tax, impairment charge on write-down of securities which resulted in a decrease of basic and diluted earnings per share of $0 20 for the year ended December 31, 2008. Net income for the year ended December 31, 2007 includes a $10 0 million pre-tax, or $6 5 million after-tax, impairment charge on write-down of securities, which resulted in a decrease of basic and diluted earnings per share of $0 15 for the year ended December 31, 2007

(3) Consists of $15 5 million of junior subordinated debentures of Prosperity Statutory Trust II due July 31, 2031, $12 9 million of junior subordinated debentures of Prosperity Statutory Trust III due September 17, 2033, $12 9 million of junior subordinated debentures of Prosperity Statutory Trust IV due December 30, 2033, $10 3 million of junior subordinated debentures of SNB Capital Trust IV due September 25, 2033 (assumed by the Company on April 1, 2006), $7 2 million of junior subordinated debentures of TXUI Statutory Trust I due September 7, 2030 (assumed by the Company on January 31, 2007), $5.2 million of junior subordinated debentures of TXUI Statutory Trust II due December 19, 2033 (assumed by the Company on January 31, 2007), $16 0 million of junior subordinated debentures of TXUI Statutory Trust III due December 15, 2035 (assumed by the Company on January 31, 2007) and $12 4 million of junior subordinated debentures of TXUI Statutory Trust IV due June 30, 2036 (assumed by the Company on January 31, 2007)

(4) Includes a $14 0 million pre-tax, or $9 1 million after-tax, impairment charge on write-down of securities, which resulted in a decrease of return on average assets of 13 basis points and a decrease of return on average equity of 76 basis points for the year ended December 31, 2008

(5) Includes a $10 0 million pre-tax, or $6 5 million after-tax, impairment charge on write-down of securities, which resulted in a decrease of return on average assets of 11 basis points and a decrease of return on average equity of 63 basis points for the year ended December 31, 2007

(6) Calculated by dividing total noninterest expense, excluding credit loss provisions and impairment write-down on securities, by net interest income plus noninterest income, excluding net gains and losses on the sale of securities and assets Additionally, taxes are not part of this calculation

(7) At period end, except for net charge-offs to average loans and average shareholders' equity to average total assets, which is for periods ended at such dates.

(8) Nonperforming loans consist of nonaccrual loans, loans contractually past due 90 days or more, restructured loans and any other loan management deems to be nonperforming

- other risks and uncertainties listed from time to time in the Company's reports and documents filed with the Securities and Exchange Commission

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement The Company believes it has chosen these assumptions or bases in good faith and that they are reasonable However, the Company cautions you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material Therefore, the Company cautions you not to place undue reliance on its forward-looking statements The forward-looking statements speak only as of the date the statements are made The Company undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise

Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the major elements of the Company's balance sheets and statements of income This section should be read in conjunction with the Company's consolidated financial statements and accompanying notes and other detailed information appearing elsewhere in this Annual Report on Form 10-K

For the Years Ended December 31, 2009, 2008 and 2007

Overview

The Company generates the majority of its revenues from interest income on loans, service charges on customer accounts and income from investment in securities The revenues are partially offset by interest expense paid on deposits and other borrowings and noninterest expenses such as administrative and occupancy expenses Net interest income is the difference between interest income on earning assets such as loans and securities and interest expense on liabilities such as deposits and borrowings which are used to fund those assets Net interest income is the Company's largest source of revenue The level of interest rates and the volume and mix of earning assets and interest-bearing liabilities impact net interest income and margin The Company has recognized increased net interest income due primarily to an increase in the volume of interest-earning assets

Three principal components of the Company's growth strategy are internal growth, stringent cost control practices and acquisitions, including strategic merger transactions and FDIC assisted transactions The Company focuses on continual internal growth Each banking center is operated as a separate profit center, maintaining separate data with respect to its net interest income, efficiency ratio, deposit growth, loan growth and overall profitability Banking center presidents and managers are accountable for performance in these areas and compensated accordingly The Company also focuses on maintaining stringent cost control practices and policies The Company has invested significantly in the infrastructure required to centralize many of its critical operations, such as data processing and loan processing Management believes that this centralized infrastructure can accommodate substantial additional growth while enabling the Company to minimize operational costs through certain economies of scale The Company also intends to continue to seek expansion opportunities On January 31, 2007, forty-one (41) banking centers were acquired in the acquisition of Texas United Bancshares, Inc (the "TXUI acquisition") The acquisition of The Bank of Navasota, N A (the "Navasota acquisition") was completed on September 1, 2007 and added one (1) banking center During 2008, the Company acquired six (6) branches of Banco Popular North America in January, completed the acquisition of 1st Choice Bancorp, Inc on June 1 which added one (1) banking center and assumed $3 6 billion in deposits and acquired certain assets from the FDIC acting in its capacity as receiver for Franklin Bank in November which initially added forty-five (45) banking centers, twelve (12) of which were closed and consolidated with nearby banking centers (the "Franklin Bank acquisition" or "Franklin transaction")

Net income was $111 9 million, $84 5 million and $84 2 million for the years ended December 31, 2009, 2008 and 2007, respectively, and diluted earnings per share were $2 41, $1 86 and $1.94, respectively, for these same periods The change in net income during both 2009 and 2008 resulted principally from an increase in net interest income and acquisitions, including the acquisition of six (6) branches of Banco Popular and the 1st

On February 8, 2010, the Company announced the signing by Prosperity Bank of a definitive agreement to acquire the nineteen 9) Texas retail bank branches of First Bank, a Missouri state-chartered bank Prosperity Bank will pay a premium of 5 5% for approximately $500 million in deposits, as well as purchase approximately $100 million in loans and other assets attributable to the branches First Bank's Texas locations are all in the Houston and Dallas metropolitan areas After the consolidation of locations near existing Company banking centers and the acquisition of the Houston branch of U S Bank, the Company will operate thirty-one (31) Dallas/Fort Worth area banking centers and fifty-eight (58) Houston area banking centers The agreement has been approved by the Board of Directors of both banks and is expected to close during the second quarter of 2010, although delays could occur The transaction is subject to certain conditions, including customary regulatory approvals

Critical Accounting Policies

The Company's significant accounting policies are integral to understanding the results reported The Company's accounting policies are described in detail in Note 1 to the consolidated financial statements, appearing elsewhere is this Annual Report on Form 10-K The Company believes that of its significant accounting policies, the following may involve a higher degree of judgment and complexity

Allowance for Credit Losses—The allowance for credit losses is established through charges to earnings in the form of a provision for credit losses. Management has established an allowance for credit losses which it believes is adequate for estimated losses in the Company's loan portfolio Based on an evaluation of the loan portfolio, management presents a monthly review of the allowance for credit losses to the Bank's Board of Directors, indicating any change in the allowance since the last review and any recommendations as to adjustments in the allowance In making its evaluation, management considers factors such as historical loan loss experience, industry diversification of the Company's commercial loan portfolio, the amount of nonperforming assets and related collateral, the volume, growth and composition of the Company's loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the Company's loan portfolio through its internal loan review process and other relevant factors Portions of the allowance may be allocated for specific credits, however, the entire allowance is available for any credit that, in management's judgment, should be charged off Charge-offs occur when loans are deemed to be uncollectible The allowance for credit losses includes allowance allocations calculated in accordance with FASB ASC Topic 310, "*Receivables*," and allowance allocations determined in accordance with FASB ASC Topic 450, "*Contingencies*"

Goodwill and Intangible Assets—Goodwill and intangible assets that have indefinite useful lives are subject to an impairment st at least annually, or more often, if events or circumstances indicate that it is more likely than not that the fair value of Prosperity Bank, the Company's only reporting unit with assigned goodwill, is below the carrying value of its equity Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of the Company's reporting unit compared with its carrying value If the carrying amount exceeds the fair value of the reporting unit, a second test is completed comparing the implied fair value of the reporting unit's goodwill to its carrying value to measure the amount of impairment Other identifiable intangible assets that are subject to amortization are amortized on an accelerated basis over the years expected to be benefited, which the Company believes is between eight and ten years These amortizable intangible assets are reviewed for impairment if circumstances indicate their value may not be recoverable based on a comparison of fair value to carrying value Based on the Company's annual goodwill impairment test as of September 30, 2009, management does not believe any of its goodwill is impaired as of December 31, 2009 because the fair value of the Company's equity exceeded its carrying value While the Company believes no impairment existed at December 31, 2009 under accounting standards applicable at that date, different conditions or assumptions, or changes in cash flows or profitability, if significantly negative or unfavorable, could have a material adverse effect on the outcome of the Company's impairment evaluation and financial condition or future results of operations

2008 versus 2007 Net interest income before the provision for credit losses for the year ended December 31, 2008 was $227 7 million compared with $200 4 million for the year ended December 31, 2007, an increase of $27 3 million or 13 6% The improvement in net interest income for 2008 was principally due to a $810 1 million or 16 2% increase in average interest-earning assets to $5.824 billion at December 31, 2008 compared with $5 014 billion at December 31, 2007 The increase in average interest-earning assets was primarily due to the Franklin transaction The improvement in net interest income for 2008 was also partially due to a decrease in the yield on interest-earning assets that was less than the decrease in rates paid on interest-bearing liabilities The average rate paid on interest-bearing liabilities decreased 97 basis points from 3 63% for the year ended December 31, 2007 to 2 66% for the year ended December 31, 2008 and the average yield on interest-earning assets decreased 82 basis points from 6 79% at December 31, 2007 to 5 97% at December 31, 2008 At December 31, 2008, period end demand deposits represented an important component of funding and were 20 9% of total period end deposits compared with 23 5% at December 31, 2007

Net interest margin on a tax equivalent basis, defined as net interest income divided by average interest-earning assets, for 2008 was 3 96%, down 10 basis points from 4 06% for 2007

The following table presents information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest-earning assets and interest-bearing liabilities and distinguishes between the changes attributable to changes in volume and changes in interest rates. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated to rate

	Years Ended December 31,					
	2009 vs 2008			2008 vs 2007		
	Increase (Decrease) Due to Change in			Increase (Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in thousands)					
Interest-earning assets						
Loans	$14,368	$(22,514)	$ (8,146)	$12,621	$(32,755)	$(20,134)
Securities	80,591	(8,670)	71,921	27,095	1,623	28,718
Federal funds sold and other temporary investments	(1,175)	(864)	(2,039)	4,573	(5,887)	(1,314)
Total increase (decrease) in interest income	93,784	(32,048)	61,736	44,289	(37,019)	7,270
Interest-bearing liabilities						
Interest-bearing demand deposits	2,924	(2,304)	620	(747)	(7,599)	(8,346)
Savings and money market accounts	9,831	(18,196)	(8,365)	5,983	(13,302)	(7,319)
Certificates of deposit	26,413	(30,526)	(4,113)	20,619	(19,944)	675
Junior subordinated debentures	(498)	(2,181)	(2,679)	(1,987)	(1,632)	(3,619)
Securities sold under repurchase agreements	264	(1,486)	(1,222)	558	(1,196)	(638)
Other borrowings	(1,424)	(453)	(1,877)	2,172	(2,949)	(777)
Total increase (decrease) in interest expense	37,510	(55,146)	(17,636)	26,598	(46,622)	(20,024)
Increase in net interest income	$56,274	$ 23,098	$ 79,372	$17,691	$ 9,603	$ 27,294

Provision for Credit Losses

The Company's provision for credit losses is established through charges to income in the form of the provision in order to bring the Company's allowance for credit losses to a level deemed appropriate by management based on the factors discussed under "Financial Condition—Allowance for Credit Losses" The allowance for credit losses at December 31, 2009 was $51 9 million, representing 1 54% of outstanding loans as of such date The provision for credit losses for the year ended December 31, 2009 was $28.8 million compared with $9 9 million for the year ended December 31, 2008 Net charge-offs for the year ended December 31, 2009 were $13 9 million compared with $7 6 million in net charge-offs for the year ended December 31, 2008 The provision for credit losses for the year ended December 31, 2008 was $9 9 million compared with $760,000 for the year ended December 31, 2007 Net charge-offs for the year ended December 31, 2007 were $5 6 million

Noninterest Income

The Company's primary sources of recurring noninterest income are service charges on deposit accounts and other banking service related fees Noninterest income does not include loan origination fees which are recognized over the life of the related loan as an adjustment to yield using the interest method. Banking related service fees include check cashing fees, official check fees, safe deposit box rent and currency handling fees For the year ended December 31, 2009, noninterest income totaled $60 1 million, an increase of $7 7 million or

The followmg table presents, for the penods mdicated, the major categones of nonmterest expense

	Years Ended December 31,		
	2009	2008	2007
	(Dollars in thousands)		
Salanes and employee benefits	$ 84,395	$ 70,818	$ 63,910
Non-staff expenses			
Net occupancy expense	14,910	12,470	10,534
Depreciation expense	8,226	7,666	7,611
Data processing	6,449	5,580	4,570
Regulatory assessments and FDIC insurance	13,662	1,843	1,035
Ad valorem and franchise taxes	3,561	2,884	2,462
Core deposit intangibles amortization	10,076	9,797	9,917
Communications expense(1)	8,466	6,582	6,351
Impairment write-down on securities	—	14,025	9,975
Other	19,955	12,131	10,478
Total noninterest expense(2)	$169,700	$143,796	$126,843

(1) Communications expense includes telephone, data circuits, postage and courier expenses

(2) Total noninterest expense includes $1 5 million, $1 5 million and $2 0 million in 2009, 2008 and 2007, respectively, in stock-based compensation expense

Salaries and Employee Benefits Salaries and employee benefits increased $13 6 million to $84 4 million at December 31, 2009 compared with $70 8 million at December 31, 2008 primarily due to the full year effect of the staff added with the Franklin Bank acquisition in November 2008 The number of associates employed by the Company increased from 1,359 at December 31, 2007 to 1,594 at December 31, 2009 Salaries and employee benefits increased $6 9 million from $63 9 million at December 31, 2007 to $70 8 million at December 31, 2008 primarily due to staff added with the Franklin acquisition Total noninterest expense for the year ended December 31, 2009 includes $1 5 million in stock-based compensation expense compared with $1 5 million and $2 0 million recorded for the years ended December 31, 2008 and 2007, respectively

Net Occupancy and Depreciation Expenses Net occupancy expense increased $2 4 million or 19 6% to $14 9 million for the year ended December 31, 2009 compared with $12 5 million for the year ended December 31, 2008 The increase was primarily attributable to the additional banking centers acquired in 2008 Depreciation expense increased $560,000 to $8 2 million for the year ended December 31, 2009 compared with $7 7 million for the same period in 2008 Net occupancy expense increased $1 9 million or 18 4% to $12 5 million for the year ended December 31, 2008 compared with $10 5 million for the year ended December 31, 2007 Depreciation expense increased $55,000 million to $7 7 million compared with $7 6 million for the same periods These increases were primarily attributable to the acquisitions in 2007 and 2008

Regulatory Assessments and FDIC Insurance Regulatory assessments and FDIC insurance assessments increased $11 8 million or 641 3% from $1 8 million for the year ended December 31, 2008 to $13 7 million for the year ended December 31, 2009 The increase was primarily due to higher FDIC assessment rates and an increase in the amount of the Company's deposits in connection with its 2008 acquisitions On January 1, 2009, the FDIC increased the DIF assessment rates effective April 1, 2009 as part of the FDIC's DIF restoration plan as discussed under the section captioned "Supervision and Regulation—The Bank—Deposit Insurance Assessments" in Part I, Item 1 of this Annual Report on Form 10-K Additionally, in May 2009, the FDIC issued a rule which levied a special assessment of 5 basis points on an institution's total assets less its Tier 1 capital as of June 30, 2009 to restore the DIF to an acceptable level The special assessment, which for the Company was $4 2 million, was accrued on June 30, 2009 and paid on September 30, 2009 Regulatory assessments and FDIC insurance assessments increased $808,000 or 78 1% from $1 0 million for the year ended December 31, 2007 to $1 8 million for the year ended December 31, 2008

~inancial Condition

~oan Portfolio

At December 31, 2009, total loans were $3 377 billion, a decrease of $190 4 million or 5 3% compared with $3 567 billion at December 31, 2008 The decrease was primarily attributable to a reduction in construction and land development loans and commercial and industrial loans due to decreased demand as a result of a general weakening of the economy At December 31, 2009, total loans were 46 5% of deposits and 38 2% of total assets At December 31, 2008, total loans were $3 567 billion, an increase of $424 1 million or 13 5% compared with $3 143 billion at December 31, 2007 The growth in loans from December 31, 2007 to December 31, 2008 was primarily attributable to the Franklin Bank acquisition, the 1st Choice acquisition and the acquisition of six (6) branches of Banco Popular At December 31, 2008, total loans were 48 8% of deposits and 39 3% of total assets

The following table summarizes the Company's loan portfolio by type of loan as of the dates indicated

	December 31,									
	2009		2008		2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Commercial and industrial	$ 392,975	11 6%	$ 482,476	13.5%	$ 436,338	13 9%	$ 280,957	12 9%	$ 222,773	14 4%
Real estate										
Construction and land development	557,245	16 5	666,081	18 7	683,171	21 7	433,178	19 9	206,653	13 4
1-4 family residential	709,101	21 0	668,097	18 7	526,338	16 7	376,996	17 3	313,184	20 3
Home equity	117,661	3.5	107,048	3 0	93,877	3 0	63,427	2.9	58,729	3 8
Commercial mortgage	1,261,267(1)	37 4	1,268,340	35 6	1,075,285	34 3	803,145	36 9	566,356	36 7
Farmland	93,288	2.8	96,970	2 7	63,873	2 0	30,925	1 4	30,920	2 0
Multifamily residential	77,952	2.3	75,063	2 1	73,424	2 3	77,980	3 6	32,039	2 1
Agriculture	42,241	1 3	48,679	1 3	50,146	1 6	26,504	1 2	25,429	1 6
Consumer (net of unearned discount)	102,436	3 0	137,639	3 9	123,213	3 9	66,675	3 1	65,183	4 3
Other	22,537	0.6	16,664	0 5	17,306	0 6	16,720	0 8	20,859	1 4
Total loans(2)	$3,376,703	100 0%	$3,567,057	100 0%	$3,142,971	100 0%	$2,176,507	100 0%	$1,542,125	100 0%

(1) Commercial mortgage loans include approximately $613 6 million of owner-occupied loans for the year ended December 31, 2009

(2) Includes loans held for sale for all applicable years

The Company's commercial and industrial loans decreased from $482 5 million at December 31, 2008 to $393 0 million at ecember 31, 2009, a decrease of $89 5 million or 18 6% The Company's commercial mortgages decreased from $1 268 billion at December 31, 2008 to $1 261 billion at December 31, 2009, a decrease of $7 1 million or 0 5% The Company offers a variety of commercial lending products including term loans and lines of credit The Company offers a broad range of short to medium-term commercial loans, primarily collateralized, to businesses for working capital (including inventory and receivables), business expansion (including acquisitions of real estate and improvements) and the purchase of equipment and machinery Historically, the Company has originated loans for its own account and has not securitized its loans The purpose of a particular loan generally determines its structure All loans in the 1-4 family residential category were originated by the Company.

All loans over $500,000 and below $2 5 million are evaluated and acted upon on a daily basis by two of the six company-wide loan concurrence officers All loans above $2 5 million are evaluated and acted upon by an officers' loan committee which meets weekly In addition to the officers' loan committee evaluation, loans from $15 0 million to $25 0 million are evaluated and acted upon by the directors' loan committee which consists of three directors of the Bank and meets as necessary Loans over $25 0 million are evaluated and acted upon by the Bank's board of directors either at a regularly scheduled monthly board meeting or by teleconference or written consent

Agriculture Loans The Company provides agriculture loans for short-term crop production, including rice, cotton, milo and corn, farm equipment financing and agriculture real estate financing The Company evaluates agriculture borrowers primarily based on their historical profitability, level of experience in their particular agriculture industry, overall financial capacity and the availability of secondary collateral to withstand economic and natural variations common to the industry Because agriculture loans present a higher level of risk associated with events caused by nature, the Company routinely makes on-site visits and inspections in order to identify and monitor such risks

Consumer Loans Consumer loans made by the Company include direct "A"-credit automobile loans, recreational vehicle loans, boat loans, home improvement loans, home equity loans, personal loans (collateralized and uncollateralized) and deposit account collateralized loans The terms of these loans typically range from 12 to 120 months and vary based upon the nature of collateral and size of loan Generally, consumer loans entail greater risk than do real estate secured loans, particularly in the case of consumer loans that are unsecured or collateralized by rapidly depreciating assets such as automobiles In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan balance The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans

The contractual maturity ranges of the 1-4 family residential, home equity, commercial and industrial, commercial mortgage, construction and land development and agriculture portfolios and the amount of such loans with predetermined interest rates and floating rates in each maturity range as of December 31, 2009 are summarized in the following table

	December 31, 2009			
	One Year or Less	After One Through Five Years	After Five Years	Total
	(Dollars in thousands)			
1-4 family residential and home equity	$ 17,236	$ 68,102	$ 741,424	$ 826,762
Commercial and industrial	172,945	152,456	67,574	392,975
Commercial mortgages	60,187	138,943	1,062,137	1,261,267
Construction and land development	154,685	105,506	297,054	557,245
Agriculture	27,483	13,990	768	42,241
Total	$432,536	$478,997	$2,168,957	$3,080,490
Loans with a predetermined interest rate.	$142,225	$289,979	$ 797,186	$1,229,390
Loans with a floating interest rate	290,311	189,018	1,371,771	1,851,100
Total	$432,536	$478,997	$2,168,957	$3,080,490

Nonperforming Assets

The Company has several procedures in place to assist it in maintaining the overall quality of its loan portfolio The Company has established underwriting guidelines to be followed by its officers and the Company also monitors its delinquency levels for any negative or adverse trends There can be no assurance, however, that the Company's loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions

The Company generally places a loan on nonaccrual status and ceases accruing interest when the payment of principal or interest is delinquent for 90 days, or earlier in some cases, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan *'llowance for Credit Losses*

The following table presents, as of and for the periods indicated, an analysis of the allowance for credit losses and other related data

	Years Ended December 31,				
	2009	2008	2007	2006	2005
			(Dollars in thousands)		
Average loans outstanding	$3,455,761	$3,250,447	$3,092,797	$2,037,379	$1,435,376
Gross loans outstanding at end of period	$3,376,703	$3,567,057	$3,142,971	$2,176,507	$1,542,125
Allowance for credit losses at beginning of period	$ 36,970	$ 32,543	$ 23,990	$ 17,203	$ 13,105
Balance acquired with acquisitions	—	2,182	13,386	7,054	4,028
Provision for credit losses	28,775	9,867	760	504	480
Charge-offs					
Commercial and industrial	(3,816)	(2,799)	(1,045)	(353)	(410)
Real estate and agriculture	(8,585)	(3,650)	(4,143)	(128)	(242)
Consumer	(2,998)	(2,733)	(2,974)	(696)	(240)
Recoveries					
Commercial and industrial	275	308	1,175	95	188
Real estate and agriculture	236	220	208	59	184
Consumer	1,006	1,032	1,186	252	110
Net charge-offs	(13,882)	(7,622)	(5,593)	(771)	(410)
Allowance for credit losses at end of period	$ 51,863	$ 36,970	$ 32,543	$ 23,990	$ 17,203
Ratio of allowance to end of period loans	1 54%	1 04%	1 04%	1 10%	1 12%
Ratio of net charge-offs to average loans	0.40	0 23	0.18	0 04	0 03
Ratio of allowance to end of period nonperforming loans	616 6	379 7	634 7	2,530 6	1,505 1

The allowance for credit losses is a valuation established through charges to earnings in the form of a provision for credit losses .anagement has established an allowance for credit losses which it believes is adequate for estimated losses in the Company's loan portfolio The amount of the allowance for credit losses is affected by the following (i) charge-offs of loans that occur when loans are deemed uncollectible and decrease the allowance, (ii) recoveries on loans previously charged off that increase the allowance and (iii) provisions for credit losses charged to earnings that increase the allowance Based on an evaluation of the loan portfolio and consideration of the factors listed below, management presents a quarterly review of the allowance for credit losses to the Bank's Board of Directors, indicating any change in the allowance since the last review and any recommendations as to adjustments in the allowance

The Company's allowance for credit losses consists of two components a specific valuation allowance based on probable losses on specifically identified loans and a general valuation allowance based on historical loan loss experience, general economic conditions and other qualitative risk factors both internal and external to the Company

In setting the specific valuation allowance, the Company follows a loan review program to evaluate the credit risk in the loan portfolio Through this loan review process, the Company maintains an internal list of impaired loans which, along with the delinquency list of loans, helps management assess the overall quality of the loan portfolio and the adequacy of the allowance for credit losses All loans that have been identified as impaired are reviewed on a quarterly basis in order to determine whether a specific reserve is required For each

The following tables show the allocation of the allowance for credit losses among various categories of loans and certain other information as of the dates indicated The allocation is made for analytical purposes and is not necessarily indicative of the categories in which future losses may occur The total allowance is available to absorb losses from any loan category

	December 31, 2009 Amount	2009 Percent of Loans to Total Loans	2008 Amount	2008 Percent of Loans to Total Loans
	(Dollars in thousands)			
Balance of allowance for credit losses applicable to				
Commercial and industrial	$ 5,107	11 6%	$ 6,159	13 5%
Real estate	44,799	83.4	27,953	80 8
Agriculture	221	1 3	313	1 3
Consumer and other	1,736	3 7	2,545	4.4
Unallocated	—	—	—	—
Total allowance for credit losses	$51,863	100 0%	$36,970	100 0%

	December 31, 2007 Amount	2007 Percent of Loans to Total Loans	2006[1] Amount	2006[1] Percent of Loans to Total Loans	2005 Amount	2005 Percent of Loans to Total Loans
	(Dollars in thousands)					
Balance of allowance for credit losses applicable to.						
Commercial and industrial	$ 4,790	13 9%	$ 3,660	12 9%	$ 636	14 4%
Real estate	22,505	80 0	18,140	82 0	923	78 3
Agriculture	506	1 6	131	1 2	28	1 6
Consumer and other	2,153	4 5	732	3 9	53	5 7
Unallocated	2,589	—	1,327	—	15,563	—
Total allowance for credit losses	$32,543	100.0%	$23,990	100 0%	$17,203	100.0%

(1) In 2006, the Company revised its allowance methodology to provide for more specific allocation of its reserves The revised methodology did not have a material impact on the Company's determination of the overall allowance for credit losses

The Company believes that the allowance for credit losses at December 31, 2009 is adequate to cover estimated losses in the loan portfolio as of such date. There can be no assurance, however, that the Company will not sustain losses in future periods, which could be substantial in relation to the size of the allowance at December 31, 2009

Securities

The Company uses its securities portfolio as a source of income, as a source of liquidity for cash requirements and to manage interest rate risk At December 31, 2009, the carrying amount of investment securities totaled $4 118 billion, a decrease of $42 1 million or 1 0% compared with $4 160 billion at December 31, 2008 Securities increased to $4 160 billion at December 31, 2008 from $1 858 billion at December 31, 2007, an increase of $2.30 billion or 124 0% The increase in securities was primarily due to the purchase of new securities with the funds acquired in the Franklin Bank acquisition At December 31, 2009, securities represented 46 5% of total assets compared with 45.9% of total assets at December 31, 2008

The following table summarizes the contractual maturity of securities and their weighted average yields as of December 31, 009 The contractual maturity of a mortgage-backed security is the date at which the last underlying mortgage matures Available-for-sale securities are shown at fair value and held-to-maturity securities are shown at amortized cost Other securities are included in the corporate debt securities category For purposes of the table below, tax-exempt states and political subdivisions are calculated on a tax equivalent basis The QZAB and QSCB bonds are not calculated on a tax equivalent basis and the bonds generate tax credits as follows· QZAB at 7 18% and the QSCB's at 6 11% and 5 95% The tax credits are shown as a reduction to federal income tax expense

	December 31, 2009									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands)									
U S Treasury securities and obligations of U.S. government agencies	$19,999	4 79%	$ 10,951	5.12%	$ 10,791	5 63%	$ —	—	$ 41,741	5 09%
States and political subdivisions	1,816	6 14	7,533	6 88	28,863	6 32	45,005	6 42	83,217	6 42
Corporate debt securities and other	7,288	4 25	3,263	7 66	—	—	—	—	10,551	5 46
Collateralized mortgage obligations	—	—	21,719	4 88	134,787	3 59	140,386	3 43	296,892	3 61
Mortgage-backed securities	21,354	3 60	151,502	4 20	1,389,718	4 56	2,101,833	4 60	3,664,407	4 56
Qualified Zone Academy Bond (QZAB) and Qualified School Construction Bonds (QSCB)	—	—	8,582	2 00	—	—	12,900	1 58	21,482	1 74
Total	$50,457	4 26%	$ 203,550	4 49%	$1,564,159	4.52%	$2,300,124	4 54%	$4,118,290	4.52%

The contractual maturity of mortgage-backed securities and collateralized mortgage obligations is not a reliable indicator of their expected life because borrowers have the right to prepay their obligations at any time Mortgage-backed securities monthly pay downs cause the average lives of the securities to be much different than their stated lives The weighted average life of the Company's complete portfolio is 3 1 years with an effective duration of 2 8 years at December 31, 2009

At December 31, 2009 and 2008, the Company did not own securities of any one issuer (other than the U S government and its agencies) for which aggregate adjusted cost exceeded 10% of the consolidated shareholders' equity at such respective dates

The average yield of the securities portfolio was 4 69% in 2009 compared with 4 90% in 2008 and 4 84% in 2007 The 21 basis point decrease in 2009 was primarily due to the Company reinvesting funds at lower rates in 2009 compared to 2008 The overall growth in the average securities portfolio over the comparable periods was primarily funded by deposit growth and securities acquired in acquisitions

The following table summarizes the carrying value by classification of securities as of the dates shown

	December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Available-for-sale	$ 599,503	$ 817,244	$ 260,444	$ 434,331	$ 410,361
Held-to-maturity	3,518,787	3,343,157	1,597,162	1,155,972	1,162,241
Total	$4,118,290	$4,160,401	$1,857,606	$1,590,303	$1,572,602

The following tables present the amortized cost and fair value of securities classified as held-to-maturity at December 31, 2009, 008 and 2007

	December 31, 2009				December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)				(Dollars in thousands)			
U.S. Treasury securities and obligations of U.S government agencies.	$ 40,701	$ 1,621	$ —	$ 42,322	$ 60,044	$ 2,328	$ —	$ 62,372
States and political subdivisions	32,895	809	(1,050)	32,654	34,561	201	(3,152)	31,610
Corporate debt securities	1,500	10	—	1,510	1,500	63	—	1,563
Collateralized mortgage obligations	295,754	3,652	(1,156)	298,250	177,952	2,222	(1,012)	179,162
Mortgage-backed securities	3,135,037	111,045	(22)	3,246,060	3,069,100	65,236	(62)	3,134,274
Qualified School Construction Bonds (QSCB)	12,900	57	—	12,957				
Total	$3,518,787	$117,194	$ (2,228)	$3,633,753	$3,343,157	$ 70,050	$ (4,226)	$3,408,981

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U.S. Treasury securities and obligations of U S government agencies	$ 225,133	$ 1,572	$ (28)	$ 226,677
States and political subdivisions	36,398	286	(304)	36,380
Corporate debt securities	1;500	14	—	1,514
Collateralized mortgage obligations	222,062	744	(1,914)	220,892
Mortgage-backed securities	1,112,069	6,603	(6,537)	1,112,135
Total	$ 1,597,162	$ 9,219	$ (8,783)	$ 1,597,598

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under FASB ASC Topic 320, *Investments—Debt and Equity Securities* Certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in ASC Topic 325, *Investments-Other* The Company currently does not own any securities that are accounted for under ASC Topic 325

In determining OTTI under ASC Topic 320, management considers many factors, including (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, (iii) whether the market decline was affected by macroeconomic conditions, and (iv) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the

Unlike U S Treasury and U S government agency securities, which have a lump sum payment at maturity, mortgage-backed securities provide cash flows from regular principal and interest payments and principal prepayments throughout the lives of the securities. Mortgage-backed securities which are purchased at a premium will generally suffer decreasing net yields as interest rates drop because home owners tend to refinance their mortgages Thus, the premium paid must be amortized over a shorter period Therefore, these securities purchased at a discount will obtain higher net yields in a decreasing interest rate environment As interest rates rise, the opposite will generally be true During a period of increasing interest rates, fixed rate mortgage-backed securities do not tend to experience heavy prepayments of principal and consequently, the average life of this security will be lengthened If interest rates begin to fall, prepayments will increase, thereby shortening the estimated life of this security At December 31, 2009, 57 4% of the mortgage-backed securities held by the Company had contractual final maturities of more than ten years with a weighted average life of 2 9 years

Collateralized mortgage obligations ("CMOs") are bonds that are backed by pools of mortgages The pools can be Ginnie Mae, Fannie Mae or Freddie Mac pools or they can be private-label pools CMOs are designed so that the mortgage collateral will generate a cash flow sufficient to provide for the timely repayment of the bonds The mortgage collateral pool can be structured to accommodate various desired bond repayment schedules, provided that the collateral cash flow is adequate to meet scheduled bond payments This is accomplished by dividing the bonds into classes to which payments on the underlying mortgage pools are allocated in different order. The bond's cash flow, for example, can be dedicated to one class of bondholders at a time, thereby increasing call protection to bondholders In private-label CMOs, losses on underlying mortgages are directed to the most junior of all classes and then to the classes above in order of increasing seniority, which means that the senior classes have enough credit protection to be given the highest credit rating by the rating agencies

Deposits

The Company's lending and investing activities are primarily funded by deposits The Company offers a variety of deposit accounts having a wide range of interest rates and terms including demand, savings, money market and time accounts The Company relies primarily on competitive pricing policies and customer service to attract and retain these deposits The Company does not have or accept any brokered deposits

Total deposits at December 31, 2009 were $7 26 billion, a decrease of $44 7 million or 0 6% compared with $7 30 billion at December 31, 2008 Total deposits at December 31, 2008 were $7 30 billion, an increase of $2 34 billion or 47 1% compared with $4 97 billion at December 31, 2007 The increase was primarily attributable to the Franklin Bank and 1st Choice acquisitions and the acquisition of six (6) branches of Banco Popular in 2008 Noninterest-bearing deposits at December 31, 2009 were $1 49 billion compared with $1 52 billion at December 31, 2008 Noninterest-bearing deposits were $1 52 billion at December 31, 2008, an increase of $354 9 million or 30 4% compared with $1 17 billion at December 31, 2007 Interest-bearing deposits at December 31, 2009 of $5 77 billion represented a $14 4 million decrease compared with $5 78 billion at December 31, 2008 Interest-bearing deposits at December 31, 2008 were $5 78 billion, up $1 98 billion or 52 2% compared with $3 80 billion at December 31, 2007 Total deposits at December 31, 2007 were $4 97 billion There were no major concentrations of deposits at December 31, 2009, 2008 or 2007

The followmg table presents the Company's borrowings at December 31, 2009 and 2008.

	December 31, 2009	December 31, 2008
	(Dollars in thousands)	
FHLB advances	$ —	$ 200,000
FHLB long-term notes payable	26,140	29,395
Total other borrowings	26,140	229,395
Securities sold under repurchase agreements	72,596	96,017
Total	$ 98,736	$ 325,412

At December 31, 2009 and 2008, the Company had outstanding $92.3 million in junior subordinated debentures issued to the Company's unconsolidated subsidiary trusts

A summary of pertinent information related to the Company's eight issues of junior subordinated debentures outstanding at December 31, 2009 is set forth in the table below

Description	Issuance Date	Trust Preferred Securities Outstanding	Interest Rate(1)	Junior Subordinated Debt Owed to Trusts	Maturity Date(2)
Prosperity Statutory Trust II	July 31, 2001	$ 15,000,000	3 month LIBOR + 3 58%, not to exceed 12 50%	$ 15,464,000	July 31, 2031
Prosperity Statutory Trust III	Aug. 15, 2003	12,500,000	3 month LIBOR + 3 00%(3)	12,887,000	Sept 17, 2033
Prosperity Statutory Trust IV	Dec. 30, 2003	12,500,000	3 month LIBOR + 2.85%(4)	12,887,000	Dec. 30, 2033
SNB Capital Trust IV(5)	Sept 25, 2003	10,000,000	3 month LIBOR + 3 00%	10,310,000	Sept 25, 2033
XUI Statutory Trust I(6)	Sept. 07, 2000	7,000,000	10 60%	7,210,000	Sept 07, 2030
ΓXUI Statutory Trust II(6)	Dec 19, 2003	5,000,000	3 month LIBOR + 2 85%(7)	5,155,000	Dec 19, 2033
TXUI Statutory Trust III(6)	Nov. 30, 2005	15,500,000	3 month LIBOR + 1.39%	15,980,000	Dec. 15, 2035
TXUI Statutory Trust IV(6)	Mar 31, 2006	12,000,000	3 month LIBOR + 1 39%	12,372,000	June 30, 2036
				$ 92,265,000	

(1) The 3-month LIBOR in effect as of December 31, 2009 was 0 25063%
(2) All debentures are callable five years from issuance date except for TXUI Statutory Trust I which is callable ten years from issuance date
(3) The debentures bore a fixed interest rate of 6 50% until September 17, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 3 00%
(4) The debentures bore a fixed interest rate of 6 50% until December 30, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2 85%
(5) Assumed in connection with the SNB acquisition on April 1, 2006
(6) Assumed in connection with the TXUI acquisition on January 31, 2007
(7) The debentures bore a fixed interest rate until January 23, 2009, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2 85%

earing liabilities at specific points in time ("GAP") and by analyzing the effects of interest rate changes on net interest income over specific periods of time by projecting the performance of the mix of assets and liabilities in varied interest rate environments Interest rate sensitivity reflects the potential effect on net interest income of a movement in interest rates A company is considered to be asset sensitive, or having a positive GAP, when the amount of its interest-earning assets maturing or repricing within a given period exceeds the amount of its interest-bearing liabilities also maturing or repricing within that time period Conversely, a company is considered to be liability sensitive, or having a negative GAP, when the amount of its interest-bearing liabilities maturing or repricing within a given period exceeds the amount of its interest-earning assets also maturing or repricing within that time period During a period of rising interest rates, a negative GAP would tend to affect net interest income adversely, while a positive GAP would tend to result in an increase in net interest income During a period of falling interest rates, a negative GAP would tend to result in an increase in net interest income, while a positive GAP would tend to affect net interest income adversely

The following table sets forth the Company's interest rate sensitivity analysis at December 31, 2009

	Volumes Subject to Repricing Within				
	0-30 days	31-180 days	181-365 days	Greater than one year	Total
	(Dollars in thousands)				
Interest-earning assets·					
Securities (excluding unrealized gain of $25 9 million)	$ 153,822	$ 549,316	$ 547,533	$2,841,764	$4,092,435
Loans	749,436	265,787	286,610	2,074,873	3,376,706
Federal funds sold and other temporary investments	21,554	—	—	—	21,554
Total interest-earning assets	$ 924,812	$ 815,103	$ 834,143	$4,916,637	$7,490,695
Interest-bearing liabilities.					
Demand, money market and savings deposits	$ 3,333,501	$ —	$ —	$ —	$3,333,501
Certificates of deposit and other time deposits	240,560	1,070,762	856,075	265,040	2,432,437
Junior subordinated debentures	85,265	—	7,000	—	92,265
Securities sold under repurchase agreements	72,596	—	—	—	72,596
Other borrowings	952	10,133	889	14,166	26,140
Total interest-bearing liabilities	$ 3,732,874	$ 1,080,895	$ 863,964	$ 279,206	$5,956,939
Period GAP	$(2,808,062)	$ (265,792)	$ (29,821)	$4,637,431	$1,533,756
Cumulative GAP	$(2,808,062)	$(3,073,854)	$(3,103,675)	$1,533,756	
Period GAP to total assets	(31 73)%	(3 00)%	(0.34)%	52.40%	
Cumulative GAP to total assets	(31 73)%	(34 73)%	(35 07)%	17 33%	

While the GAP position is a useful tool in measuring interest rate risk and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates solely on that measure, without accounting for alterations in the maturity or repricing characteristics of the balance sheet that occur during changes in market interest rates For example, the GAP position reflects only the prepayment assumptions pertaining to the current rate environment Assets tend to prepay more rapidly during periods of declining interest rates than during periods of rising interest rates. Because of this and other risk factors not contemplated by the GAP position, an institution could have a matched GAP position in the current rate environment and still have its

The followmg table illustrates, durmg the years presented, the mix of the Company's fundmg sources and the average assets in hich those funds are invested as a percentage of the Company's average total assets for the penod indicated Average assets totaled $8 85 billion in 2009 compared to $7 03 billion in 2008

	2009	2008
Source of Funds		
Deposits		
Non-interest-bearing	16.82%	18.10%
Interest-bearing	64 65	59 78
Junior subordinated debentures	1 04	1 42
Securities sold under repurchase agreements	1 06	1 20
Other borrowings	0 86	1.77
Other non-interest-bearing liabilities	0 83	0 75
Shareholders' equity	14 74	16 98
Total	100 00%	100 00%
Uses of Funds		
Loans	39 04%	46.27%
Securities	45 79	34 30
Federal funds sold and other interest-earning assets	0 87	2 33
Other non-interest-earning assets	14.30	17.10
Total	100 00%	100 00%
Average non-interest bearing deposits to total average deposits	20 64%	23 24%
Average loans to average deposits	47 92%	59 41%

The Company's largest source of funds is deposits and its largest uses of funds are securities and loans The Company does not expect a change in the source or use of its funds in the future. The Company's average loans grew 6 3% for the year ended December 31, 2009 compared with the year ended December 31, 2008 The increase in average loans has primarily been funded by an increase in deposits through acquisitions and internal growth The Company predominantly invests excess deposits in government backed securities until the funds are needed to fund loan growth The Company's securities portfolio has a weighted average life of 0 years and an effective duration of 2 8 years at December 31, 2009

As of December 31, 2009, the Company had outstanding $496 7 million in commitments to extend credit and $13 4 million in commitments associated with outstanding standby letters of credit Since commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding may not necessarily reflect the actual future cash funding requirements

The Company has no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature

As of December 31, 2009, the Company had cash and cash equivalents of $195 3 million compared with $228 6 million at December 31, 2008 The decrease was primarily due to a decrease in cash and due from banks of $38 6 million

Contractual Obligations

The following table summarizes the Company's contractual obligations and other commitments to make future payments as of December 31, 2009 (other than deposit obligations and securities sold repurchase agreements) The Company's future cash payments associated with its contractual obligations pursuant to its junior subordinated debentures, FHLB notes payable and operating leases as of December 31, 2009 are summarized below Payments for junior subordinated debentures include interest of $73 4 million that will be

Capital Resources

Capital management consists of providing equity to support the Company's current and future operations The Company is subject to capital adequacy requirements imposed by the Federal Reserve Board and the Bank is subject to capital adequacy requirements imposed by the FDIC Both the Federal Reserve Board and the FDIC have adopted risk-based capital requirements for assessing bank holding company and bank capital adequacy These standards define capital and establish minimum capital requirements in relation to assets and off-balance sheet exposure, adjusted for credit risk The risk-based capital standards currently in effect are designed to make regulatory capital requirements more sensitive to differences in risk profiles among bank holding companies and banks, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate relative risk weights The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items

The risk-based capital standards issued by the Federal Reserve Board require all bank holding companies to have "Tier 1 capital" of at least 4 0% and "total risk-based" capital (Tier 1 and Tier 2) of at least 8 0% of total risk-weighted assets "Tier 1 capital" generally includes common shareholders' equity and qualifying perpetual preferred stock together with related surpluses and retained earnings, less deductions for goodwill and various other intangibles "Tier 2 capital" may consist of a limited amount of intermediate-term preferred stock, a limited amount of term subordinated debt, certain hybrid capital instruments and other debt securities, perpetual preferred stock not qualifying as Tier 1 capital, and a limited amount of the general valuation allowance for loan losses The sum of Tier 1 capital and Tier 2 capital is "total risk-based capital "

The Federal Reserve Board has also adopted guidelines which supplement the risk-based capital guidelines with a minimum ratio of Tier 1 capital to average total consolidated tangible assets, or "leverage ratio," of 3 0% for institutions with well diversified risk, including no undue interest rate exposure, excellent asset quality, high liquidity, good earnings, and that are generally considered to be strong banking organizations, rated composite 1 under applicable federal guidelines, and that are not experiencing or anticipating significant growth. Other banking organizations are required to maintain a leverage ratio of at least 4 0% These rules further provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain capital positions substantially above the minimum supervisory levels and comparable to peer group averages, without significant reliance on intangible assets

Pursuant to FDICIA, each federal banking agency revised its risk-based capital standards to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risks of nontraditional activities, as well as reflect the actual performance and expected risk of loss on multifamily mortgages The Bank is subject to capital adequacy guidelines of the FDIC that are substantially similar to the Federal Reserve Board's guidelines Also pursuant to FDICIA, the FDIC has promulgated regulations setting the levels at which an insured institution such as the Bank would be considered "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized " Under the FDIC's regulations, the Bank is classified "well-capitalized" for purposes of prompt corrective action

Total shareholders' equity increased to $1 351 billion at December 31, 2009 compared with $1 255 billion at December 31, 2008, an increase of $96 1 million or 7 7% This increase was primarily the result of net income of $111 9 million and an increase in the change in unrealized gains on available for sale securities of $7 0 million, partially offset by dividends paid on the Common Stock of $26 2 million During 2008, shareholders' equity increased to $1 255 billion at December 31, 2008 compared with $1 127 billion at December 31, 2007, an increase of $127 7 million or 11 3% This increase was primarily the result of net income of $84 5 million and $56 1 million in Common Stock issued in connection with the 1st Choice acquisition, partially offset by dividends paid on the Common Stock of $23 4 million

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, the report thereon, the notes thereto and supplementary data commence at page 74 of this Annual Report on Form 10-K

The following table presents certain unaudited quarterly financial information concerning the Company's results of operations for each of the two years indicated below The information should be read in conjunction with the historical consolidated financial statements of the Company and the notes thereto appearing elsewhere in this Annual Report on Form 10-K

CONSOLIDATED QUARTERLY FINANCIAL DATA OF THE COMPANY

	Quarter Ended 2009			
	December 31	September 30	June 30	March 31
	(Dollars in thousands, except per share data) (unaudited)			
Interest income	$ 99,585	$ 101,695	$102,768	$105,566
Interest expense	19,496	24,282	27,247	31,488
Net interest income	80,089	77,413	75,521	74,078
Provision for credit losses	8,500	7,250	6,900	6,125
Net interest income after provision	71,589	70,163	68,621	67,953
Noninterest income	14,711	15,236	15,133	15,017
Noninterest expense	40,176	41,201	44,300	44,023
Income before income taxes	46,124	44,198	39,454	38,947
Provision for income taxes	15,555	14,876	12,944	13,469
Net income	$ 30,569	$ 29,322	$ 26,510	$ 25,478
Earnings per share(1)				
Basic	$ 0 66	$ 0 64	$ 0 57	$ 0 55
Diluted	$ 0.65	$ 0 63	$ 0 57	$ 0 55

	Quarter Ended 2008			
	December 31	September 30	June 30	March 31
	(Dollars in thousands, except per share data) (unaudited)			
Interest income	$ 96,588	$ 84,846	$ 81,979	$ 84,465
Interest expense	32,631	27,040	28,008	32,470
Net interest income	63,957	57,806	53,971	51,995
Provision for credit losses	6,000	1,700	1,000	1,167
Net interest income after provision	57,957	56,106	52,971	50,828
Noninterest income	13,508	13,117	13,066	12,679
Noninterest expense	37,586	46,230	30,860	29,120
Income before income taxes	33,879	22,993	35,177	34,387
Provision for income taxes	11,194	7,546	11,740	11,449
Net income	$ 22,685	$ 15,447(2)	$ 23,437	$ 22,938
Earnings per share(1)				
Basic	$ 0 49	$ 0 34(2)	$ 0 52	$ 0 52
Diluted	$ 0 49	$ 0.33(2)	$ 0.52	$ 0.52

(1) Earnings per share are computed independently for each of the quarters presented and therefore may not total earnings per share for the year

(2) Includes a $14 0 million pre-tax, or $9 1 million after-tax, impairment charge on write-down of securities for the quarter ended September 30, 2008

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles

As of December 31, 2009, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission This assessment included controls over the preparation of the schedules equivalent to the basic financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2009

Deloitte & Touche LLP the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2009 The report is included in this Item under the heading "Report of Independent Registered Public Accounting Firm "

Compliance with Designated Laws and Regulations

Management is also responsible for ensuring compliance with the federal laws and regulations concerning loans to insiders and the federal and state laws and regulations concerning dividend restrictions, both of which are designated by the Federal Deposit Insurance Corporation (FDIC) as safety and soundness laws and regulations

Management assessed its compliance with the designated safety and soundness laws and regulations and has maintained records of its determinations and assessments as required by the FDIC Based on this assessment, management believes that the Company has complied, in all material respects, with the designated safety and soundness laws and regulations for the year ended December 31, 2009

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the ıancial statements as of and for the year ended December 31, 2009 of the Company and our report dated March 1, 2010 expressed ·n unqualified opinion on those financial statements

/s/ Deloitte & Touche LLP

Houston, Texas
March 1, 2010

ITEM 9B. OTHER INFORMATION

None

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the information under the captions "Election of Directors," "Continuing Directors and Executive Officers," " Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance—Committees of the Board—Audit Committee," "Corporate Governance—Director Nomination Process" and "Corporate Governance—Code of Ethics" in the Company's definitive Proxy Statement for its 2010 Annual Meeting of Shareholders (the "2010 Proxy Statement") to be filed with the Commission pursuant to Regulation 14A under the Exchange Act within 120 days of the Company's fiscal year end

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information under the captions "Executive Compensation and Other Matters" and "Director Compensation" in the 2010 Proxy Statement

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Certain information required by this Item 12 is included under "Securities Authorized for Issuance under Equity Compensation ˀlans" in Part II, Item 5 of this Annual Report on Form 10-K The other information required by this Item is incorporated herein by reference to the information under the caption "Beneficial Ownership of Common Stock by Management of the Company and Principal Shareholders" in the 2010 Proxy Statement

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the information under the captions "Corporate Governance—Director Independence" and "Certain Relationships and Related Transactions" in the 2010 Proxy Statement

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the information under the caption "Fees and Services of Independent Registered Public Accounting Firm" in the 2010 Proxy Statement

Exhibit umber[(1)]		Description
4 3	—	Amended and Restated Declaration of Trust of Prosperity Statutory Trust II dated as of July 31, 2001 (incorporated herein by reference to Exhibit 4 2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
4 4	—	Guarantee Agreement dated as of July 31, 2001 by and between Prosperity Bancshares, Inc and State Street Bank and Trust Company of Connecticut, National Association (incorporated herein by reference to Exhibit 4 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
10 1†	—	Prosperity Bancshares, Inc 1995 Stock Option Plan (incorporated herein by reference to Exhibit 10 1 to the Company's Registration Statement on Form S-1 (Registration No 333-63267))
10 2†	—	Prosperity Bancshares, Inc 1998 Stock Incentive Plan (incorporated herein by reference to Exhibit 10 2 to the Company's Registration Statement on Form S-1 (Registration No 333-63267))
10 3†	—	Prosperity Bancshares, Inc 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10 3 to the Company's Registration Statement on Form S-4 (Registration No 333-121767))
10 4†	—	Second Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc., Prosperity Bank and David Zalman (incorporated herein by reference to Exhibit 10 1 to the Company's Current Report on Form 8-K filed January 7, 2009)
10 5†	—	Second Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc , Prosperity Bank and H E Timanus, Jr (incorporated herein by reference to Exhibit 10 4 to the Company's Current Report on Form 8-K filed January 7, 2009)
10 6†	—	Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc , Prosperity Bank and James D Rollins III (incorporated herein by reference to Exhibit 10 3 to the Company's Current Report on Form 8-K filed on January 7, 2009)
10 7†	—	Amended and Restated Employment Agreement effective January 1, 2009 by and among Prosperity Bancshares, Inc , Prosperity Bank and David Hollaway (incorporated herein by reference to Exhibit 10 2 to the Company's Current Report on Form 8-K filed on January 7, 2009)
10 8†	—	Paradigm Bancorporation, Inc 1999 Stock Incentive Plan (incorporated herein by reference to Exhibit 4 2 to the Company's Registration Statement on Form S-8 (Registration No 333-100815))
10 9†	—	MainBancorp, Inc 1996 Employee Stock Option Plan (incorporated herein by reference to Exhibit 4 2 to the Company's Registration Statement on Form S-8 (Registration No 333-110755))
10 10†	—	Form of MainBancorp, Inc Non-Qualified Stock Option Agreement (incorporated herein by reference to Exhibit 4 3 to the Company's Registration Statement on Form S-8 (Registration No 333-110755))
10 11†	—	First Capital Bankers, Inc 1996 Executive Stock Option Plan (incorporated herein by reference to Exhibit 10 11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10 12†	—	First Capital Bankers, Inc Amended and Restated 1998 Stock Option Plan (incorporated herein by reference to Exhibit 10 12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date March 1, 2010

PROSPERITY BANCSHARES, INC.®
(Registrant)

By /s/ DAVID ZALMAN
David Zalman
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated.

Signature	Positions	Date
/s/ DAVID ZALMAN David Zalman	Chairman of the Board and Chief Executive Officer (principal executive officer), Director	March 1, 2010
/s/ DAVID HOLLAWAY David Hollaway	Chief Financial Officer (principal financial officer and principal accounting officer)	March 1, 2010
/s/ JAMES A BOULIGNY James A. Bouligny	Director	March 1, 2010
/s/ WILLIAM H FAGAN, M D William Fagan, M.D	Director	March 1,2010
/s/ LEAH HENDERSON Leah Henderson	Director	March 1,2010
/s/ NED S HOLMES Ned S Holmes	Director	March 1, 2010
/s/ PERRY MUELLER, JR , D D S Perry Mueller, Jr , D.D S	Director	March 1, 2010
/s/ JAMES D ROLLINS III James D. Rollins III	Director	March 1, 2010
/s/ HARRISON STAFFORD II Harrison Stafford II	Director	March 1, 2010
/s/ ROBERT STEELHAMMER Robert Steelhammer	Director	March 1, 2010

TABLE OF CONTENTS TO CONSOLIDATED FINANCIAL STATEMENTS

PROSPERITY BANCSHARES, INC.® AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	December 31, 2008
	(Dollars in thousands)	
ASSETS		
Cash and due from banks	$ 194,963	$ 212,335
Federal funds sold	354	16,298
Total cash and cash equivalents	195,317	228,633
Interest bearing deposits in financial institutions	—	106
Available for sale securities, at fair value	599,503	817,244
Held to maturity securities, at cost (fair value of $3,633,753 and $3,408,981, respectively)	3,518,787	3,343,157
Loans held for investment	3,376,703	3,566,958
Loans held for sale	—	99
Less allowance for credit losses	(51,863)	(36,970)
Loans, net	3,324,840	3,530,087
Accrued interest receivable	30,571	34,617
Goodwill	876,987	874,654
Core deposit intangibles, net of accumulated amortization of $41,362 and $31,287, respectively	35,385	38,196
Bank premises and equipment, net	148,855	123,638
Other real estate owned	7,829	4,450
Bank Owned Life Insurance (BOLI), net	48,091	46,794
Federal Home Loan Bank of Dallas stock	16,019	15,483
Leased assets	326	928
Other assets	47,890	14,377
TOTAL ASSETS	$8,850,400	$9,072,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits		
Noninterest-bearing	$1,492,612	$1,522,983
Interest-bearing	5,765,938	5,780,314
Total deposits	7,258,550	7,303,297
Other borrowings	26,140	229,395
Securities sold under repurchase agreements	72,596	96,017
Accrued interest payable	7,343	14,625
Other liabilities	42,261	81,659
Junior subordinated debentures	92,265	92,265
Total liabilities	7,499,155	7,817,258
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, $1 par value, 20,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $1 par value, 200,000,000 shares authorized, 46,577,968 and 46,116,801 shares issued at December 31, 2009 and 2008, respectively; 46,540,880 and 46,079,713 shares outstanding at December 31, 2009 and 2008, respectively	46,578	46,117
Capital surplus	870,460	867,380
Retained earnings	418,008	332,363
Accumulated other comprehensive income—net unrealized gain on available for sale securities, net of tax of $9,049 and $5,305, respectively	16,806	9,853
Less treasury stock, at cost, 37,088 shares	(607)	(607)
Total shareholders' equity	1,351,245	1,255,106
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$8,850,400	$9,072,364

See notes to consolidated financial statements

PROSPERITY BANCSHARES, INC.® AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	(In thousands, except share and per share data)						
BALANCE AT DECEMBER 31, 2006	32,829,873	$ 32,830	$425,557	$ 209,581	$ (2,950)	$ (607)	$ 664,411
Comprehensive Income							
Net income				84,151			84,151
Net change in unrealized gain on available for sale securities (net of tax of $2,351)					4,367		4,367
Total comprehensive income							88,518
Common stock issued in connection with the exercise of stock options and restricted stock awards	337,148	337	3,148				3,485
Common stock issued in connection with the TXUI acquisition	10,769,942	10,770	370,116				380,886
Common stock issued in connection with the Bank of Navasota acquisition	251,360	251	8,237				8,488
Stock based compensation expense			1,968				1,968
Cash dividends declared, $0 425 per share				(20,325)			(20,325)
BALANCE AT DECEMBER 31, 2007	44,188,323	44,188	809,026	273,407	1,417	(607)	1,127,431
Cumulative effect—split dollar insurance adjustment				(2,174)			(2,174)
Comprehensive income							
Net income				84,507			84,507
Net change in unrealized gain on available for sale securities (net of tax of $4,542)					8,436		8,436
Total comprehensive income							92,943
Common stock issued in connection with the 1st Choice acquisition	1,757,752	1,758	54,385				56,143
Common stock issued in connection with the exercise of stock options and restricted stock awards	170,726	171	2,427				2,598
Stock based compensation expense			1,542				1,542
Cash dividends declared, $0 513 per share				(23,377)			(23,377)
BALANCE AT DECEMBER 31, 2008	46,116,801	46,117	867,380	332,363	9,853	(607)	1,255,106
Comprehensive income							
Net income				111,879			111,879
Net change in unrealized gain on available for sale securities (net of tax of $3,744)					6,953		6,953
Total comprehensive income							118,832
Common stock issued in connection with the exercise of stock options and restricted stock awards	461,167	461	1,565				2,026
Stock based compensation expense			1,515				1,515
Cash dividends declared, $0.568 per share				(26,234)			(26,234)
BALANCE AT DECEMBER 31, 2009	46,577,968	$ 46,578	$870,460	$418,008	$ 16,806	$ (607)	$ 1,351,245

See notes to consolidated financial statements

PROSPERITY BANCSHARES, INC.® AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of Operations—Prosperity Bancshares, Inc ® ("Bancshares") and its subsidiaries, Prosperity Holdings of Delaware, LLC ("Holdings") and Prosperity Bank® (the "Bank", and together with Bancshares and Holdings, collectively referred to as the "Company") provide retail and commercial banking services The Company operates its business as one domestic segment

The Bank operates one hundred fifty-eight (158) full-service banking locations, with fifty-one (51) in the Houston area, twenty-seven (27) in the South Texas area including Corpus Christi and Victoria, twenty-seven (27) in the Central Texas area including Austin and San Antonio, twenty (20) in East Texas, twenty-four (24) in the Dallas/Fort Worth, Texas area and nine (9) in the Bryan/College Station area

Accounting Standards Codification—The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") became effective on July 1, 2009 At that date, the ASC became FASB's officially recognized source of authoritative U S. generally accepted accounting principles (GAAP) applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants Emerging Issues Task Force and related literature Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants All other accounting literature is considered non-authoritative The switch to the ASC affects the way companies refer to U S GAAP in financial statements and accounting policies Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure

Principles of Consolidation—The consolidated financial statements include the accounts of Bancshares and its wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP") and the prevailing practices within the banking industry A summary of significant accounting and reporting policies is as follows

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Such estimates include, but are not limited to, the calculation of stock-based compensation and the allowance for credit losses as well as the valuation of goodwill and available for sale securities Actual results could differ from these estimates

Securities—Securities held to maturity are carried at cost, adjusted for the amortization of premiums and the accretion of discounts Management has the positive intent and the Company has the ability to hold these assets as long-term securities until their estimated maturities

Securities available for sale are carried at fair value Unrealized gains and losses are excluded from earnings and reported, net of tax, as a separate component of shareholders' equity until realized Securities within the available for sale portfolio may be used as part of the Company's asset/liability strategy and may be sold in response to changes in interest risk, prepayment risk or other similar economic factors

Net other-than-temporary impairment ("OTTI") losses on individual investment securities are recognized as a realized loss through earnings when it is more likely than not that the Company will not collect all of the contractual cash flows or is unable to hold the securities to recovery amount of nonperforming assets and related collateral, the volume, growth and composition of the Company's loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the Company's loan portfolio through its internal loan review process and other relevant factors

Estimates of credit losses involve an exercise of judgment. While it is possible that in the short term the Company may sustain losses which are substantial in relation to the allowance for credit losses, it is the judgment of management that the allowance for credit losses reflected in the consolidated balance sheets is adequate to absorb probable losses that exist in the current loan portfolio

The Company's allowance for credit losses consists of two elements (i) specific valuation allowances determined in accordance with ASC Topic 310, "Receivables" based on probable losses on specific loans, and (ii) a general valuation allowance based on historical loan loss experience, general economic conditions and other qualitative risk factors both internal and external to the Company in accordance with ASC Topic 450 A loan is defined as impaired by ASC Topic 310 if, based on current information and events, it is probable that a creditor will be unable to collect all amounts due, both interest and principal, according to the contractual terms of the loan agreement Specifically, ASC Topic 310 requires that the allowance for credit losses related to impaired loans be determined based on the difference of carrying value of loans and the present value of expected cash flows discounted at the loan's effective interest rate or, as a practical expedient, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent At December 31, 2009, the Company had $6 1 million in nonaccrual loans, $2 3 million in 90 days or more past due loans and no restructured loans At December 31, 2008, the Company had $2 1 million in nonaccrual loans, $7 6 million in 90 days or more past due loans and no restructured loans The recorded investment in impaired loans was $21 7 million and $12 8 million at December 31, 2009 and 2008, respectively Such impaired loans required an allowance for credit losses of $5 4 million and $3 5 million at December 31, 2009 and 2008, respectively Interest revenue received on impaired loans is either applied against principal or realized as interest revenue, according to management's judgment as to the collectibility of principal

Premises and Equipment—Premises and equipment are carried at cost less accumulated depreciation Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets which range from three to 30 years Leasehold improvements are amortized using the straight-line method over the periods of the leases or the estimated useful lives, whichever is shorter

Goodwill—Goodwill is annually assessed for impairment or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable The Company bases its evaluation on such impairment factors as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present

Amortization of Core Deposit Intangibles—Core deposit intangibles are amortized using an accelerated amortization method over an 8 to 10 year period

Income Taxes—Bancshares files a consolidated federal income tax return

Deferred tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis

Effective January 1, 2008, the Company adopted the provisions of FASB Codification Topic 740 *Income Taxes,* which discusses the accounting for uncertainty in income taxes recognized in an entity's financial

The incremental shares for the assumed exercise of the outstanding options were determined by application of the treasury stock method There were no stock options exercisable at December 31, 2009, 2008 and 2007 that would have had an anti-dilutive effect on the above computation

New Accounting Standards

As discussed in Note 1—Accounting Standards Codification, on July 1, 2009, the Accounting Standards Codification became FASB's officially recognized source of authoritative U S generally accepted accounting principles applicable to all public and non-public non-governmental entities, superseding existing FASB, AICPA, EITF and related literature Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants All other accounting literature is considered non-authoritive The switch to the ASC affects the way companies refer to U S GAAP in financial statements and accounting policies Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure

FASB ASC Topic 260, "Earnings Per Share " On January 1, 2009, the Company adopted new authoritative accounting guidance under ASC Topic 260 which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method

ASC Topic 260 requires presentation of basic and diluted earnings per share Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock using the treasury stock method

FASB ASC Topic 320, "Investments—Debt and Equity Securities " New authoritative accounting guidance under ASC opic 320 (i) changes existing guidance for determining whether an impairment is other than temporary to debt securities and ii) replaces the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert (a) it does not have the intent to sell the security, and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis Under ASC Topic 320, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses The amount of the impairment related to other factors is recognized in other comprehensive income The Company adopted the provisions of the new authoritative accounting guidance under ASC Topic 320 during the first quarter of 2009 Adoption of the new guidance did not significantly impact the Company's financial statements

FASB ASC Topic 805, "Business Combinations " On January 1, 2009, new authoritative accounting guidance under ASC Topic 805 became applicable to the Company's accounting for business combinations closing on or after January 1, 2009 ASC Topic 805 applies to all transactions and other events in which one entity obtains control over one or more other businesses ASC Topic 805 requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt This fair value approach replaces the cost-allocation process required under previous accounting guidance whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value ASC Topic 805 requires acquirers to

Further new authoritative accounting guidance under ASC Topic 820 provides guidance for measuring the fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available In such instances, a reporting entity is required to measure fair value utilizing a valuation technique that uses (i) the quoted price of the identical liability when traded as an asset, (ii) quoted prices for similar liabilities or similar liabilities when traded as assets, or (iii) another valuation technique that is consistent with the existing principles of ASC Topic 820, such as an income approach or market approach The new authoritative accounting guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability The forgoing new authoritative accounting guidance under ASC Topic 820 became effective for the Company's financial statements for periods ending after October 1, 2009 and did not have a significant impact on the Company's financial statements

FASB ASC Topic 825 New authoritative accounting guidance under ASC Topic 825, "Financial Instruments," requires an entity to provide disclosures about the fair value of financial instruments in interim financial information and amends prior guidance to require those disclosures in summarized financial information at interim reporting periods The new interim disclosures required under ASC Topic 825 are included in Note 8—Fair Value

FASB ASC Topic 855 New authoritative accounting guidance under ASC Topic 855, "Subsequent Events," establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued ASC Topic 855 defines (i) the period after the balance sheet date during which a reporting entity's management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (iii) the disclosures an entity should make about events or transactions that occurred after the balance sheet date The new authoritative accounting guidance under ASC Topic 855 became effective for the Company's financial statements for periods ending after June 15, 2009 and did not have a significant impact on the Company's financial statements.

FASB ASC Topic 860 New authoritative accounting guidance under ASC Topic 860, "Transfers and Servicing," amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets The new authoritative accounting guidance eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets The new authoritative accounting guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period The new authoritative accounting guidance under ASC Topic 860 will be effective January 1, 2010 and is not expected to have a significant impact on the Company's financial statements

2. ACQUISITIONS

Acquisitions are an integral part of the Company's growth strategy All acquisitions were accounted for using the purchase method of accounting Accordingly, the assets and liabilities of the acquired entities were recorded at their fair values at the acquisition date The excess of the purchase price over the estimated fair value of the net assets for each acquisition was recorded as goodwill, none of which is deductible for tax purposes The identified core deposit intangibles for each acquisition are being amortized using an accelerated amortization method over an 8 to 10 year life The results of operations for each acquisition have been included in the Company's consolidated financial results beginning on the respective acquisition date The following acquisitions were completed on the dates indicated.

The followmg condensed statement of net habilities acquired reflects the value assigned to the Franklin Bank net liabilities as of November 7, 2008

	As of November 7, 2008
ASSETS	
Cash and due from banks	$ 360,978
Securities	346,218
Loans(1)	14,907
Accrued interest receivable and other assets	2,159
TOTAL ASSETS	$ 724,262
LIABILITIES.	
Deposits	$ 3,532,985
Securities sold under repurchase agreements	6,106
Accrued interest payable and other liabilities	53,056
TOTAL LIABILITIES	$ 3,592,147
FRANKLIN NET LIABILITIES	$ 2,867,885

(1) Subsequent to November 7, 2008, pursuant to the terms of the purchase and assumption agreement, the Bank purchased an additional $344 8 million in performing loans from the FDIC during the fourth quarter of 2008 These loans were originated at the Franklin Bank community banking offices

The table below summarizes select pro forma data for the combined company for the periods indicated assuming the Franklin acquisition was effective on January 1 of the indicated periods. The information in the table below was calculated based on pro forma data related to the assets acquired and the liabilities assumed from Franklin Bank for the period of November 7, 2008 to December 31, 2008 because historical financial statements and data of Franklin Bank for the periods presented was unavailable The information in the table below also gives effect to the Company's acquisition of TXUI in January 2007

	For the twelve months ended December 31,	
	2008	2007
	(In thousands) (unaudited)	
Net interest income	$274,978	$256,727
Net income	$104,464(1)	$108,510(2)
Earnings per share (diluted)	$ 2 30(1)	$ 2 45(2)
Weighted average diluted shares	45,479	44,254

(1) Includes a $14 0 million pre-tax, or $9.1 million after-tax, impairment charge on write-down of securities
(2) Includes a $10 0 million pre-tax, or $6 5 million after-tax, impairment charge on write-down of securities

The pro forma results are not necessarily indicative of what actually would have occurred if the Franklin acquisition had occurred on January 1 of each indicated period, or of any future consolidated results

On January 31, 2007, the Company completed its acquisition of Texas United Bancshares, Inc , La Grange, Texas ("TXUI") Under the terms of the merger agreement, TXUI was merged into the Company and subsequently each of TXUI's wholly owned subsidiary banks, State Bank, GNB Financial, n a , Gateway National Bank and Northwest Bank, was merged into the Bank The Company issued approximately 10 770 million shares of its common stock for all of the issued and outstanding capital stock of TXUI In addition, options to acquire 179,956 shares of TXUI common stock were converted into options to acquire

3. GOODWILL AND CORE DEPOSIT INTANGIBLES

Changes in the carrying amount of the Company's goodwill and core deposit intangibles for fiscal 2009 and 2008 were as follows

	Goodwill	Core Deposit Intangibles
	(Dollars in thousands)	
Balance as of December 31, 2007	$753,909	$ 46,069
Less		
Amortization	—	(9,797)
Add		
Acquisition of Franklin Bank	61,303	—
Acquisition of 1st Choice Bancorp, Inc	50,460	637
Acquisition of Banco Popular branches	13,122	1,287
Prior year acquisition of Bank of Navasota	426	—
Prior year acquisition of Texas United Bancshares, Inc	(3,073)	—
Purchase accounting adjustments to prior year acquisitions (deferred tax adjustments)	(1,493)	—
Balance as of December 31, 2008	874,654	38,196
Less		
Amortization	—	(10,075)
Add		
Prior year acquisition of Franklin Bank.	2,266	7,264
Prior year acquisition of 1st Choice Bancorp, Inc	17	—
Prior year acquisition of Banco Popular branches	50	—
Balance as of December 31, 2009	$876,987	$ 35,385

Purchase accounting adjustments to prior year acquisitions were made to adjust deferred tax asset and liability balances Goodwill is recorded on the acquisition date of each entity The Company may record subsequent adjustments to goodwill for amounts undeterminable at acquisition date, such as deferred taxes and real estate valuations, and therefore the goodwill amounts reflected in the table above may change accordingly The Company initially records the total premium paid on acquisitions as goodwill After finalizing the valuation, core deposit intangibles are identified and reclassified from goodwill to core deposit intangibles on the balance sheet This reclassification has no effect on total assets or liabilities Management performs an evaluation annually, and more frequently if a triggering event occurs, of whether any impairment of the goodwill and other intangibles has occurred If any such impairment is determined, a write down is recorded As of December 31, 2009, there was no impairment recorded on goodwill

Core deposit intangibles ("CDI") are amortized on an accelerated basis over their estimated lives, which the Company believes is between 8 and 10 years Gross core deposit intangibles outstanding were $76.7 million and $69 5 million at December 31, 2009 and December 31, 2008, respectively Net core deposit intangibles outstanding were $35 4 million and $38 2 million at the same dates, respectively Amortization expense related to intangible assets totaled $10 1 million and $9 8 million for the years ended December 31, 2009 and 2008, respectively The changes are primarily due to the core deposit intangibles from the Franklin Bank acquisition and amortization

The amortized cost and fair value of investment securities as of December 31, 2008 are as follows

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
U S Treasury securities and obligations of U S government agencies	$ 91,103	$ 28	$ —	$ 91,131
States and political subdivisions	50,008	763	(1,846)	48,925
Collateralized mortgage obligations	1,437	—	(58)	1,379
Mortgage-backed securities	642,529	16,914	(744)	658,699
Qualified Zone Academy Bond	8,000	—	—	8,000
Other securities	9,009	101	—	9,110
Total	$ 802,086	$ 17,806	$ (2,648)	$ 817,244
Held to Maturity				
U S Treasury securities and obligations of U S government agencies	$ 60,044	$ 2,328	$ —	$ 62,372
States and political subdivisions	34,561	201	(3,152)	31,610
Corporate debt securities	1,500	63	—	1,563
Collateralized mortgage obligations	177,952	2,222	(1,012)	179,162
Mortgage-backed securities	3,069,100	65,236	(62)	3,134,274
Total	$3,343,157	$ 70,050	$ (4,226)	$3,408,981

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under FASB ASC Topic 320, *Investments—Debt and Equity Securities* Certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in ASC Topic 325, *Investments-Other* The Company currently does not own any securities that are accounted for under ASC Topic 325

In determining OTTI under ASC Topic 320, management considers many factors, including. (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time If applicable, the second segment of the portfolio uses the OTTI guidance provided by ASC Topic 325 that is specific to purchased beneficial interests that, on the purchase date, were rated below AA Under the ASC Topic 325 model, the Company compares the present value of the remaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows

When OTTI occurs under either model, the amount of the other-than-temporary-impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss If an entity intends to

Securities with unrealized losses segregated by length of time such securities have been in a continuous loss position at December 31, 2009 were as follows

	Less than 12 Months		More than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
			(Dollars in thousands)			
Available for Sale						
U S Treasury securities and obligations of U S government agencies	$ —	$ —	$ —	$ —	$ —	$ —
States and political subdivisions	3,152	(42)	5,882	(314)	9,034	(356)
Collateralized mortgage obligations	—	—	1,139	(31)	1,139	(31)
Mortgage-backed securities	3,807	(20)	8,875	(86)	12,682	(106)
Total	$ 6,959	$ (62)	$ 15,896	$ (431)	$ 22,855	$ (493)
Held to Maturity						
U S Treasury securities and obligations of U S government agencies	$ —	$ —	$ —	$ —	$ —	$ —
States and political subdivisions	1,268	(67)	11,630	(983)	12,898	(1,050)
Corporate debt securities	—	—	—	—	—	—
Collateralized mortgage obligations	100,666	(193)	9,322	(963)	109,988	(1,156)
Mortgage-backed securities	1,514	(6)	2,863	(16)	4,377	(22)
Total	$103,448	$ (266)	$ 23,815	$ (1,962)	$127,263	$ (2,228)

At December 31, 2009, there were approximately 339 securities in an unrealized loss position for more than 12 months

Securities with unrealized losses segregated by length of time such securities have been in a continuous loss position at December 31, 2008 were as follows

	Less than 12 Months		More than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
			(Dollars in thousands)			
Available for Sale						
U S Treasury securities and obligations of U S government agencies	$ —	$ —	$ —	$ —	$ —	$ —
States and political subdivisions	20,409	(1,067)	4,039	(779)	24,448	(1,846)
Collateralized mortgage obligations	24	(1)	1,356	(57)	1,380	(58)
Mortgage-backed securities	33,777	(537)	11,706	(207)	45,483	(744)
Total	$ 54,210	$ (1,605)	$ 17,101	$ (1,043)	$ 71,311	$ (2,648)
Held to Maturity						
U S Treasury securities and obligations of U S government agencies	$ —	$ —	$ —	$ —	$ —	$ —
States and political subdivisions	18,297	(2,754)	1,639	(398)	19,936	(3,152)
Corporate debt securities	—	—	—	—	—	—
Collateralized mortgage obligations	14,402	(925)	1,091	(87)	15,493	(1,012)
Mortgage-backed securities	3,260	(36)	2,670	(26)	5,930	(62)
Total	$ 35,959	$ (3,715)	$ 5,400	$ (511)	$ 41,359	$ (4,226)

The Company had $16.4 million in nonperforming assets at December 31, 2009 compared with $14 4 million at December 31, 2008 The nonperforming assets at December 31, 2009 consisted of one hundred-thirteen (113) separate credits or ORE properties, of which forty-six (46) credits were related to loans acquired in the Company's 2008 and 2007 acquisitions The nonperforming assets at December 31, 2008 consisted of ninety-eight (98) separate credits or ORE properties, of which 45 credits were related to loans acquired in the Company's 2007 and 2008 acquisitions Interest foregone on nonaccrual loans for the years ended December 31, 2009, 2008 and 2007 was $434,000, $121,000 and $47,000, respectively

The contractual maturity ranges of the 1-4 family residential, home equity, commercial and industrial, commercial mortgage, construction and land development, and agriculture portfolios and the amount of such loans with predetermined interest rates and floating rates in each maturity range are summarized in the following table

	December 31, 2009			
	One Year or Less	After One Through Five Years	After Five Years	Total
	(Dollars in thousands)			
1-4 family residential and home equity	$ 17,236	$ 68,102	$ 741,424	$ 826,762
Commercial and industrial	172,945	152,456	67,574	392,975
Commercial mortgage	60,187	138,943	1,062,137	1,261,267
Construction and land development	154,685	105,506	297,054	557,245
Agriculture	27,483	13,990	768	42,241
Total	$432,536	$478,997	$2,168,957	$3,080,490
Loans with a predetermined interest rate.	$142,225	$289,979	$ 797,186	$1,229,390
Loans with a floating interest rate	290,311	189,018	1,371,771	1,851,100
Total	$432,536	$478,997	$2,168,957	$3,080,490

As of December 31, 2009 and 2008, loans outstanding to directors, officers and their affiliates totaled $15 5 million and $15 1 million, respectively All transactions entered into between the Company and such related parties are done in the ordinary course of business, made on the same terms and conditions as similar transactions with unaffiliated persons

An analysis of activity with respect to these related-party loans is as follows

	Year Ended December 31,	
	2009	2008
	(Dollars in thousands)	
Beginning balance	$ 15,067	$ 6,685
New loans and reclassified related loans	3,521	12,046
Repayments	(3,048)	(3,664)
Ending balance	$ 15,540	$ 15,067

whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC Topic 820

The following tables present fair value measurements as of December 31, 2009 and 2008

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
2009:				
Measured on a recurring basis				
Available for sale securities (at fair value)	$ —	$599,503	$ —	$599,503
Total December 31, 2009	$ —	$599,503	$ —	$599,503
2008:				
Measured on a recurring basis				
Interest bearing deposits in financial institutions	$ 106	$ —	$ —	$ 106
Available for sale securities (at fair value)	—	817,244	—	$817,244
Total December 31, 2008	$ 106	$817,244	$ —	$817,350

Certain assets and liabilities are measured at fair value on a non-recurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment) These instruments include other real estate owned, repossessed assets, held to maturity debt securities and impaired loans per ASC Topic 310 For the year ended December 31, 2009, the Company had additions to other real estate owned of $27 4 million of which $7 1 million were outstanding December 31, 2009 For the year ended December 31, 2009, the Company had dditions to impaired loans of $18 3 million of which $14 7 million were outstanding December 31, 2009 The remaining financial ssets and financial liabilities measured at fair value on a non-recurring basis that were recorded in 2009 and remained outstanding at December 31, 2009 were not significant

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach Such valuation techniques are consistently applied Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs

The fair value disclosures below represent the Company's estimates based on relevant market information and information about the financial instruments Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision Changes in the above methodologies and assumptions could significantly affect the estimates

FASB ASC Topic 825, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis The carrying amount and estimated fair values of the Company's financial instruments are as follows

	December 31, 2009 Carrying Amount	December 31, 2009 Estimated Fair Value	December 31, 2008 Carrying Amount	December 31, 2008 Estimated Fair Value
	(Dollars in thousands)			
Financial assets:				
Cash and due from banks	$ 194,963	$ 194,963	$ 212,335	$ 212,335
Interest bearing deposits in financial institutions	—	—	106	106
Federal funds sold	354	354	16,298	16,298
Held to maturity securities	3,518,787	3,633,753	3,343,157	3,408,981
Available for sale securities	599,503	599,503	817,244	817,244
Loans held for investment and sale, net of allowance for credit losses	3,324,840	3,328,393	3,530,087	3,577,158
Total	$7,638,447	$7,756,966	$7,919,227	$8,032,122
Financial liabilities:				
Deposits	$7,258,550	$7,279,201	$7,303,297	$7,337,773
Junior subordinated debentures	92,265	92,538	92,265	95,801
Other borrowings	26,140	27,331	229,395	232,716
Securities sold under repurchase agreements	72,596	72,596	96,017	96,017
Total	$7,449,551	$7,471,666	$7,720,974	$7,762,307

The Company's off-balance sheet commitments are funded at current market rates at the date they are drawn upon It is management's opinion that the fair value of these commitments would approximate their carrying value, if drawn upon

The fair value estimates presented herein are based on pertinent information available to management as of the dates indicated Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein

9. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows

	Year Ended December 31, 2009	Year Ended December 31, 2008
	(Dollars in thousands)	
Land	$ 48,684	$ 37,291
Buildings	110,229	95,385
Furniture, fixtures and equipment	22,445	24,449
Construction in progress	1,266	88
Total	182,624	157,213
Less accumulated depreciation	(33,769)	(33,575)
Premises and equipment, net	$148,855	$123,638

12. INCOME TAXES

The components of the provision for federal income taxes are as follows

	Year Ended December 31, 2009	2008	2007
	(Dollars in thousands)		
Current	$61,794	$35,214	$35,709
Deferred	(4,950)	6,715	5,895
Total	$56,844	$41,929	$41,604

The provision for federal income taxes differs from the amount computed by applying the federal income tax statutory rate on income as follows

	Year Ended December 31, 2009	2008	2007
	(Dollars in thousands)		
Taxes calculated at statutory rate	$59,053	$44,253	$44,014
Increase (decrease) resulting from			
Tax-exempt interest	(1,825)	(1,698)	(1,579)
Qualified Zone Academy Bond credit	(373)	(373)	(373)
Qualified School Construction Bond credit	(29)	—	—
Dividends received deduction	—	(106)	(288)
BOLI income	(470)	(704)	(663)
Qualified stock options	148	205	280
Other, net	340	352	213
Total	$56,844	$41,929	$41,604

component of income before taxes Penalties are recorded in other (gains) losses and interest paid or received is recorded in interest expense or interest income, respectively, in the consolidated statement of income As of December 31, 2009, the Company has not accrued any interest and penalties related to unrecognized tax benefits. The Company has identified its federal tax return and its state tax return in Texas as "major" tax jurisdictions, as defined The only periods subject to examination for the Company's federal return are the 2006 through 2008 tax years

13. STOCK INCENTIVE PROGRAMS

At December 31, 2009, the Company had three stock-based employee compensation plans and four stock option plans assumed in connection with acquisitions under which no additional options will be granted The Company accounts for stock-based employee compensation plans using the fair value-based method of accounting in accordance with ASC Topic 718 ASC Topic 718 was effective for companies in 2006, however, the Company has been recognizing compensation expense since January 1, 2003 The Company recognized $1 5 million in stock-based compensation expense for each year ended December 31, 2009 and 2008 and $2 0 million for the year ended December 31, 2007 There was approximately $383,000, $334,000 and $409,000 of income tax benefit recorded for the stock-based compensation expense for the same periods, respectively

During 1995, the Company's Board of Directors approved a stock option plan (the "1995 Plan") for executive officers and key associates to purchase common stock of Bancshares A total of 675,000 options have been granted under the 1995 Plan as of December 31, 2009 The maximum number of shares reserved for issuance pursuant to options granted under the 1995 Plan was 680,000 (after two-for-one and four-for-one stock splits) Options to purchase a total of 15,000 shares of common stock of Bancshares were outstanding at December 31, 2009, of which 7,500 options were exercisable The 1995 Plan has expired and therefore no additional options may be issued from the 1995 Plan

During 1998, the Company's Board of Directors and shareholders approved the Prosperity Bancshares, Inc 1998 Stock Incentive Plan (the "1998 Plan") which authorizes the issuance of up to 920,000 (after two-for-one stock split) shares of the common stock of Bancshares under both non-qualified and incentive stock options to employees and non-qualified stock options to directors 'ho are not employees The 1998 Plan also provides for the granting of restricted stock awards, stock appreciation rights, phantom .ock awards and performance awards on substantially similar terms A total of 834,500 options have been granted under the 1998 Plan as of December 31, 2009 Options to purchase a total of 591,957 shares of common stock of Bancshares were outstanding at December 31, 2009, of which 393,232 options were exercisable The 1998 Plan has expired and therefore no additional options may be issued from the 1995 Plan

In December 2004, the Company's Board of Directors established the Prosperity Bancshares, Inc 2004 Stock Incentive Plan (the "2004 Plan"), which was approved by the Company's shareholders on February 23, 2005 The 2004 Plan authorizes the issuance of up to 1,250,000 shares of common stock upon the exercise of options granted under the 2004 Plan or upon the grant or exercise, as the case may be, of other awards granted under the 2004 Plan The 2004 Plan provides for the granting of incentive and nonqualified stock options to employees and nonqualified stock options to directors who are not employees The 2004 Plan also provides for the granting of shares of restricted stock, stock appreciation rights, phantom stock awards and performance awards on substantially similar terms A total of 199,500 options and 447,591 shares of restricted stock have been granted under the 2004 Plan as of December 31, 2009 Options to purchase a total of 199,500 shares of common stock of Bancshares were outstanding at December 31, 2009, of which 29,750 were exercisable At December 31, 2009, 385,898 shares of restricted stock were outstanding and subject to forfeiture restrictions Remaining shares available for grant under the 2004 Plan totaled 602,909 at December 31, 2009.

A summary of changes in outstanding vested and unvested options during the three year period ended December 31, 2009 is set forth below

	Number of Options (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (In thousands)
Options outstanding, January 1, 2007	1,142	$ 21 68		
Options granted	235	17 84		
Options forfeited	(27)	24 42		
Options exercised	(262)	13 29		
Options outstanding, December 31, 2007	1,088	$ 23.26	5.87	$ 6,668
Options granted	5	24 43		
Options forfeited	(15)	21 11		
Options exercised	(161)	16 16		
Options outstanding, December 31, 2008	917	$ 24.58	5.36	$ 4,600
Options granted	72	30 64		
Options forfeited	(20)	28 40		
Options exercised	(113)	17 86		
Options outstanding, December 31, 2009	856	$ 25 88	4 97	$ 12,481
Options vested or expected to vest, December 31, 2009	830	$ 25 60	4 90	$ 12,343
Options exercisable, December 31,2009	480	$ 23.37	4 03	$ 8,201

The total intrinsic value of the options exercised during the year ended December 31, 2009 and 2008 was $2 6 million and $2 2 million, respectively The total fair value of shares vested and forfeited during the year ended December 31, 2009 was $1 4 million d $101,000, respectively

A summary of changes in unvested options during the three year period ended December 31, 2009 is set forth below

	Number of Options (In thousands)	Weighted Average Grant Date Fair Value
Unvested options outstanding, January 1, 2007	778	$ 5 93
Options granted	55	8 28
Unvested options forfeited	(27)	5.17
Options vested	(99)	3 23
Unvested options outstanding, December 31, 2007	707	$ 6 52
Options granted	5	3 85
Unvested options forfeited	(4)	5 52
Options vested	(179)	5 54
Unvested options outstanding, December 31, 2008	529	$ 6 83
Options granted	72	6 31
Unvested options forfeited	(15)	6 98
Options vested	(210)	6 63
Unvested options outstanding, December 31, 2009	376	$ 6.78

15. PROFIT SHARING PLAN

The Company has adopted a profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code whereby the participants may contribute a percentage of their compensation as permitted under the Code Matching contributions are made at the discretion of the Company Presently, the Company matches 50% of an employee's contributions, up to 15% of such employee's compensation, not to exceed the maximum allowable pursuant to the Internal Revenue Code and excluding catch-up contributions Such matching contributions were approximately $1 9 million, $1 7 million and $1 6 million for the years ended December 31, 2009, 2008 and 2007, respectively

16. OFF-BALANCE SHEET ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's contractual obligations and other commitments to make future payments as of December 31, 2009 (other than deposit obligations and securities sold under repurchase agreements) The Company's future cash payments associated with its contractual obligations pursuant to its junior subordinated debentures, FHLB notes payable and operating leases as of December 31, 2009 are summarized below Payments for junior subordinated debentures include interest of $73 4 million that will be paid over the future periods. The future interest payments were calculated using the current rate in effect at December 31, 2009 With respect to floating interest rates, the payments were determined based on the 3-month LIBOR in effect at December 31, 2009. The current principal balance of the junior subordinated debentures at December 31, 2009 was $92 3 million Payments for FHLB notes payable include interest of $5 0 million that will be paid over the future periods Payments related to leases are based on actual payments specified in underlying contracts

	Payments due in:				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
			(Dollars in thousands)		
Junior subordinated debentures	$ 3,057	$ 6,114	$ 6,114	$150,402	$165,687
Federal Home Loan Bank notes payable	12,388	4,062	3,258	11,458	31,166
Operating leases	4,219	6,440	3,828	796	15,283
Total	$ 19,664	$ 16,616	$ 13,200	162,656	$212,136

Off-Balance Sheet Items

In the normal course of business, the Company enters into various transactions, which, in accordance with accounting principles generally accepted in the United States, are not included in its consolidated balance sheets The Company enters into these transactions to meet the financing needs of its customers These transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets

Rent expense under all noncancelable operating lease obligations aggregated approximately $5 1 million for the year ended December 31, 2009, $4 7 million for the year ended December 31, 2008 and $3 9 million for the year ended December 31, 2007

Litigation—The Company has been named as a defendant in various legal actions arising in the normal course of business In the opinion of management, after reviewing such claims with outside counsel, resolution of such matters will not have a materially adverse impact on the consolidated financial statements

17. REGULATORY MATTERS

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies Any institution that fails to meet its minimum capital requirements is subject to actions by regulators that could have a direct material effect on the Company's and the Bank's financial statements Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines based on the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices The Company's and the Bank's capital amounts and the Bank's classification under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about the components, risk weightings and other factors

To meet the capital adequacy requirements, the Company and the Bank must maintain minimum capital amounts and ratios as defined in the regulations. As of December 31, 2009, the Company and the Bank met all capital adequacy requirements to which they are subject

As of December 31, 2009, the most recent notification from the FDIC categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table There have been no conditions or events since that notification which management believes have changed the Bank's category

The following is a summary of the Company's and the Bank's capital ratios at December 31, 2009 and 2008

	Actual		For Capital Adequacy Purposes		To Be Categorized As Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
CONSOLIDATED:						
As of December 31, 2009:						
Total Capital						
(to Risk Weighted Assets)	$562,295	13 86%	$ 324,654	8.00%	N/A	N/A
Tier I Capital						
(to Risk Weighted Assets)	511,567	12 61	162,327	4 00	N/A	N/A
Tier I Capital						
(to Average Tangible Assets)	511,567	6 47	237,199	3 00	N/A	N/A
As of December 31, 2008:						
Total Capital						
(to Risk Weighted Assets)	$458,872	11.17%	$ 328,686	8.00%	N/A	N/A
Tier I Capital						
(to Risk Weighted Assets)	421,902	10 27	164,343	4 00	N/A	N/A
Tier I Capital						
(to Average Tangible Assets)	421,902	5 68	222,931	3 00	N/A	N/A

(1) The 3-month LIBOR in effect as of December 31, 2009 was 0 25063%
(2) All debentures are callable five years from issuance date except for TXUI Statutory Trust I which is callable ten years from issuance date
(3) The debentures bore a fixed interest rate of 6 50% until September 17, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 3 00%
(4) The debentures bore a fixed interest rate of 6 50% until December 30, 2008, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2.85%
(5) Assumed in connection with the SNB acquisition on April 1, 2006
(6) Assumed in connection with the TXUI acquisition on January 31, 2007
(7) The debentures bore a fixed interest rate until January 23, 2009, when the rate began to float on a quarterly basis based on the 3-month LIBOR plus 2 85%

Each of the trusts is a capital or statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds in the Company's junior subordinated debentures The preferred trust securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust The common securities of each trust are wholly-owned by the Company Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated debentures The debentures, which are the only assets of each trust, are subordinate and junior in right of payment to all of the Company's present and future senior indebtedness The Company has fully and unconditionally guaranteed each trust's obligations under the trust securities issued by such trust to the extent not paid or made by each trust, provided such trust has funds available for such obligations

Under the provisions of each issue of the debentures, the Company has the right to defer payment of interest on the debentures at any time, or from time to time, for periods not exceeding five years. If interest payments on either issue of the debentures are deferred, the distributions on the applicable trust preferred securities and common securities will also be deferred

PROSPERITY BANCSHARES, INC.® AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

PROSPERITY BANCSHARES, INC.
(Parent Company Only)

CONDENSED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2009	2008	2007
	(Dollars in thousands)		
OPERATING INCOME:			
Dividends from subsidiaries	$ 24,500	$ 63,000	$ 69,000
Other income	164	265	383
Total income	24,664	63,265	69,383
OPERATING EXPENSE:			
Junior subordinated debentures interest expense	3,760	6,440	10,058
Stock-based compensation expense (includes restricted stock)	1,515	1,542	1,968
Other expenses	380	672	432
Total operating expense	5,655	8,654	12,458
INCOME BEFORE INCOME TAX BENEFIT AND EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	19,009	54,611	56,925
FEDERAL INCOME TAX BENEFIT	1,792	2,753	4,018
INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	20,801	57,364	60,943
EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	91,078	27,143	23,208
NET INCOME	$ 111,879	$ 84,507	$ 84,151

$100 million in loans and other assets attributable to the branches First Bank's Texas locations are all in the Houston and Dallas metropolitan areas After the consolidation of branches near existing Company banking centers and the acquisition of the Houston branch of U S Bank, the Company will operate thirty-one (31) Dallas/Fort Worth area banking centers and fifty-eight (58) Houston area banking centers The agreement has been approved by the Board of Directors of both banks and is expected to close during the second quarter of 2010, although delays could occur The transaction is subject to certain conditions, including customary regulatory approvals

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos 333-78139, 333-92997, 333-100815, 333-110755, 33-123366, 333-123367, 333-133214, and 333-140425 on Form S-8, and Registration Statements Nos 333-158267, 333-136848, and 333-93857 on Form S-3, of our reports dated March 1, 2010, relating to the consolidated financial statements of Prosperity Bancshares, Inc and subsidiaries, and the effectiveness of Prosperity Bancshares, Inc 's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Prosperity Bancshares, Inc and subsidiaries for the year ended December 31, 2009

/s/ Deloitte and Touche LLP

Houston, Texas
March 1, 2010

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Hollaway, certify that

1 I have reviewed this Annual Report on Form 10-K of Prosperity Bancshares, Inc ,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting for the registrant and have

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date March 1, 2010

/s/ DAVID HOLLAWAY

David Hollaway
Chief Financial Officer

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with this Annual Report of Prosperity Bancshares, Inc (the "Company") on Form 10-K for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Hollaway, Chief Financial Officer of the Company, certify, pursuant to 18 U S C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

2 The information contained in the Report fairly presents, in all material respects, the financial condition and operating results of the Company

/s/ DAVID HOLLAWAY

David Hollaway
Chief Financial Officer

March 1, 2010

ORIGINAL

DEPOSITORY BANK BID VALIDATION

Bank understands the condition, specifications and Texas Civil Statutes that govern the holding of County funds as a participating bank and will adhere to those rules to the best of its ability

Does the bank wish to be designated as a participating Bank?

Yes___√___

No_______

Bank **must** complete the information below to validate the Application for Depository Bank of Galveston County

The undersigned affirms that they are fully authorized to execute this contract The bank has not prepared this Application in collusion with any other bank, and that the contents of this Application as to fees, interest rates, terms, or conditions of said Application have not been communicated by the undersigned, nor by any employee or agent, to any other bank making Application or to any other persons engaged in this type of business prior to the official opening of this Application

All Unsigned Applications will be disqualified

Name and address of Bank

PROSPERITY BANK	Signature [signature]
GALVESTON BANKING CENTER	Name Tom C LaRue
2424 MARKET ST	Title President
GALVESTON, TX 77550	Telephone No 409-762-2103
	Email tom larue@prospentybanktx com

BANK NAME: PROSPERITY BANK

CONTACT PERSON: TOM C. LARUE

DEPOSITORY BANK-BID VALIDATION

Note By my signature above, I hereby certify that the following are attached

a One ORIGINAL, clearly labeled with original signatures, and two COPIES
b A certified Check or Cashier's Check made payable to Galveston County Treasurer in the amount of $600,000 00
c Bank's latest Call Reports
d Copy of Bank's Availability Schedule
e A sample of a monthly Collateral Report
f Sample account analysis report
g A response to every section in the Application and worksheets
h Attachment indicating other services and charges which were not specified in Application

ORIGINAL

CONTRACTUAL REQUIREMENTS

2.1 BANK AFFILIATION – An applying bank must be a Federal or Texas chartered bank doing business in and having a full service facility within Galveston County, Texas Banks who operate under the State of Texas bank charter may submit an Application without membership in the Federal Reserve System State chartered banks MUST be able to perform ALL services required by this Request for Application Any bank submitting an application must be a member of the Federal Depository Insurance Corporation

Understood __Understood ___
Comment ____
____

2.2 COMPLIANCE WITH THE STATUTES

By returning the Services Worksheet, bank acknowledges that it understands and will comply with the Texas Local Government Code, Chapter 116 "Depositories for County Public Funds" and Chapter 117 "Depositories for Certain Trust Funds and Court Registry Funds" (hereafter referred to as "the Code") that pertain to the managing and safekeeping of County funds, including but not limited to those specified

Understood __Agreed________
Comment ____
____

2.3 DURATION OF CONTRACT - The bank contract will be effective for a period of four (4) years On expiration of a contract under Code 116 021, the contract may be renewed for two more years under terms negotiated by the Commissioners' Court

If a timed deposit maturity extends beyond the expiration date of the contract, the depository bank will pledge sufficient securities required for public funds to Galveston County to provide for the maturity of the time deposit

The depository bank will allow a 60-day extension of contract terms in the event that the County must transition to a new bank at the end of the contract period

Understood __Agreed_______
Comment ____
____

2.4 RENEGOTIATIONS – Code Sec 116 021(b) specifies that "If the contract is for a four-year term, the contract shall allow the county to establish, on the basis of negotiations with the bank, new interest rates and financial terms of the contract that will take effect during the final two years of the four-year contract " At the end of the contract, the county may renew for another two years, with renegotiation of rates and financial terms (Code Sec 116 021(c)) The County will also allow the bank to initiate negotiations at the above-mentioned legally-specified times

Understood __Agreed______
Comment ____

2.5 SUBMITTING FINANCIAL STATEMENTS - All banks wishing to be designated as the depository bank must include as part of their application

- The Bank's last three (3) Call Reports
- The Bank's Annual Financial Reports (audited) for the past 2 years

The successful applicant shall continue to furnish to the County Treasurer updated issues of each report on a quarterly basis

Understood __Agreed_____
Comment ___On-going updates are available online at

FFIEC Call Report and UPBR Reference
Prosperity Bank IRDSSD #664756 Prosperity Bank, Certificate #16835
https //cdr ffiec gov/public/ManagerFacsimiles aspx

Prosperity Bancshares Inc Annual Reports
https //www prosperitybanktx com

Reference 2 5 - A, Call Report 3-31-2011
- B, Call Report 12-31-2010
- C, Call Report 9-30-2010
- D, Annual Report 12-31-2010
- E, Annual Report 12-31-2009

2.6 GOOD FAITH GUARANTEE - Bank desiring to be the depository bank must submit with the application a certified check or a cashier's check in the amount of **$600,000.00** -one-half percent of the County's revenue, Code Sec 116 023, and one-half percent of the registry, trust, or other funds held by the County and District Clerks during the preceding year, Code Sec 117 021, payable to Galveston County as a guarantee of good faith The check will be held by the County until the depository bank is selected and the securities have been pledged

Understood __Agreed________
Comment ____

2.7 PLEDGED COLLATERAL SECURITY -Within fifteen (15) days after the selection of the depository bank by Commissioners' Court, the selected bank shall qualify as provided by law The County will accept surety bonds and/or a Securities Pledge Contract provided for under Texas Local Government Code, Chapter 116, as the method of securing the funds of the County

To compensate for the increases and decreases in County deposits and the fluctuations in market value of pledged collateral, the minimum market value of collateral will be 110% of combined County deposits The collateral requirement must be monitored daily by the depository bank personnel Additions to or deletions from collateral must be approved by the Galveston County Treasurer

Pledged securities shall be the kind prescribed by law under Chapter 116 of the Code and must be acceptable to Galveston County

The bank must be the true and legal owner of all securities pledged to the County The securities must be free and clear of all liens, claims, and not pledged for any other purpose The County will not accept any security acquired by the bank under a repurchase agreement The securities will be deposited with the Federal Reserve Bank of Dallas without expense to the County under an appropriate contract to be drawn to the provisions of Chapter 116 of the Code and amendments in accordance with the application, if approved

Understood ___Agreed________
Comment

Prosperity Bank used Federal Home Loan Bank and not FRB Dallas for safekeeping of collateral pledged Prosperity Bank maintains internal controls to monitor and maintain the requested collateral If the County is aware of a large transaction that will significantly increase deposit balances, the County will notify the Bank with one day's advance notice to ensure the timely pledging of additional collateral

Reference 2 7 Pledged Collateral – Prosperity Bank Collateral Agreement

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2.8 LIQUIDATED DAMAGES - As stated in Code Sec 116 023 "If a bank is selected as a depository and does not provide the bond and/or security, the County shall retain the amount of the check as liquidated damages " A new depository shall then be selected

Understood __Understood______
Comment ____

2.9 PLEDGED COLLATERAL – Galveston County requires, per State law under Sec 116 054, V T Local Government Code that the depository bank pledge as collateral to the County securities in an amount equal to the amount of County funds on deposits in the depository The securities are to cover funds belonging to the County, funds deposited by the Tax Assessor-Collector, and Trust Funds controlled by the County Clerk and the District Clerk Deposit peak in February during tax collection season and then gradually decline throughout the rest of the year and hit their lowest in early November Tax collections begin to then increase steadily through the end of February Such Collaterals may include

1 U S Treasury Notes
2 U S Treasury Bills
3 Federal Home Loan Bank Letters of Credit

Understood __Agreed______
Comment

Prosperity Bank maintains internal controls to monitor and maintain the requested collateral If the County is aware of a large transaction that will significantly increase deposit balances, the County will notify the Bank with one day's advance notice to ensure the timely pledging of additional collateral

---

2.10 COLLATERAL MANAGEMENT – The amount of securities pledged against Galveston County funds shall be subject to change as deposits fluctuate Securities shall at all times be adequate to collateralize County funds according to the law of the State of Texas Securities pledged must be approved by the County Treasurer The County may at any time investigate the value of any of the securities that may be pledged by the bank The full cooperation of the bank will be required in such instance The Depository Bank must include as part of the bid, a statement as to how the bank intends to ensure on a daily basis, that sufficient collateral is pledged to protect covered accounts A monthly detailed collateral report is required The report shall include security descriptions, par value/current face value

Understood __Agreed_______
Comment

Prosperity Bank maintains internal controls to monitor and maintain the required collateral If the County is aware of a large transaction that will significantly increase deposit balances, the County will notify the Bank with one day's advance notice to ensure the timely pledging of additional collateral

Reference 2 10 – A, Pledge Security Listing (Format for Pledged Collateral Reporting)
Reference 2 7 - Pledged Collateral, Prosperity Bank Collateral Agreement

<u>2.11 DAILY REPORTS-</u> A DAILY list of account balances will also be provided to the County Treasurer

Understood _Agreed________
Comment

Prosperity Bank can provide a manual listing of accounts with criteria selected by the County to be faxed or by 'secured' emailed on a daily basis and/or the County may have users assigned within our Cash Management module to pull balances, reports online

<u>2.12 INVESTMENTS MADE OUTSIDE DEPOSITORY BANK</u> – Galveston County reserves the right to make external investments according to the laws of the State of Texas and the Investment Policy of Galveston County

Understood __Agreed_______
Comment ____

<u>2.13 TRANSITION PERIOD AT END OF CONTRACT</u> - Bank will provide a 60-day transition period at the end of the contract to allow for smooth transition and closing of accounts and to maintain pledged investments against any balances still deposited with the Bank ***State the dollar amount, if any, the bank will allow for expenses incurred due to changing depository bank.**

Understood __Agreed______
Comment ____

SERVICES REQUIRMENTS

3.1 REPORTS A detailed monthly collateral report is required The report shall contain security descriptions, par value/current Face and current market value A daily combined cash balance report that can be compared with current total collateral report would be helpful This can be issued by email, by fax, or be available through a cash management package Monthly account analysis reports will be provided for the combined accounts and for each separate and combined account(s) The account analysis will contain, at a minimum, the following

---

- Average daily ledger balance
- Average daily float
- Legal reserve
- Average available balance
- Earnings credit allowance
- Accrued interest
- Service cost
- Service detail by item and cost/item

****A sample client account analysis report and earnings credit calculation must be provided as part of the application.**

Understood _Agreed_______
Comment __Reference 3 1 A - Model Account Analysis ___________________________________

3.2 CONTACT PERSON – The bank shall specify an officer who will be responsible for overseeing the County's entire relationship, who would serve as the primary contact and who would be able to make decisions regarding operational aspects of this contract

Understood __Agreed_______
Comment
Tom C LaRue, President – Galveston Banking Center will be the primary contact for Prosperity Bank

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3.3 STATEMENTS/IMAGING– Monthly account statements will be provided for all accounts, with the ability to download check images (front and back), debit and credits memos, etc into Galveston County's internal Accounting Software(may require IT coordination) The statement shall show the number of checks, deposit and deposit items posted, daily ledger balances, average daily ledger balance for the month, average daily collected balance for the month and other items on which charges are based Physical statements shall be provided within five (5) working days after calendar month-end, while access to online banking shall also be provided where statements will be available within two (2) working days after month-end If online banking does not provide a 2-year "look back" of cancelled check images, the bank shall provide an electronic data file of all check images each month (from Payroll, AP, Jury and other Clearing accounts), in the form of a compact disk, electronic PDF file, or other data format suitable to the County and its internal accounting software

Understood __Agreed______
Comment

Prosperity Bank account statement will reflect daily ending ledger balance and Account Analysis statements will reflect average ledger balance for the period and reflect and be based upon average collected balance for the period

Checks, statements, image e-statements, deposits and downloadable balance reports are available online If the

County utilizes Remote Deposit Capture, images of items deposited are available online for a 45 day period For historical reporting, statement and check images are captured on a monthly CD The monthly CD Rom statement provides the statement copy along with all deposits and checks associated with those statements A software utility is provided on the CD Rom that allows the County to search for deposits and checks The CD Rom is typically mailed or delivered to the banking center within 3 business days after the statement cycle date Image e-Statements are available online typically with one (1) business day after the statement cycle date Online statements are available for a 2-year period, and may be downloaded electronically by the County for internal retention Account Analysis statements are not available on-line but may be requested through the banking center

Prosperity Bank statements

3.4 ON-LINE SERVICES – The depository bank will provide on-line banking, reconciliation and/or other cash management tools to the County for daily reporting of fund balances, managing controlled disbursements, and ledger balances, stop payment requests, confirmations, and detailed debits and credits The bank will tailor multi- user security levels Online Services should provide electronic debit and credit transactions utilizing ACH Payments **Banks should be prepared to provide the Treasurer's office an opportunity to physically work with this technology before the application is selected.**

Understood __Agreed______
Comment

Prosperity Bank does not offer account reconciliation or controlled disbursements unless referring to Positive Pay which we provide at no charge.

The Bank offers Automated Cash Management Information via the internet,

On-Line, Real-Time Internet Banking Services

- Account information inquiry includes current and available balances, as transactions are presented throughout the day, they are memo-posted to the account and the available balances include memo-posted transactions
- On-Line statement retrieval
- Transaction history download ?
- Schedule 'one-time' or 'recurring' funds transfer between accounts
- Schedule 'one-time' or 'recurring' loan payments

X **Web-based Wire Transfer Origination**

- Set up and initiate 'one-time' or 'recurring' wire transfer instructions through our Internet Banking Product Single-user, multi-user, and/or dual control authorities are allowed with password and dollar limit restrictions

X **Web-based ACH Origination**

- Originate electronic payroll deposits or payment drafts through our Internet Banking Product
- Import NACHA - ready files from third-party software applications, or create payroll or payment databases directly in our products

Web-based Bill Pay Services

- Create accounts payable databases and initiate payments online through our Internet Banking Product

X **Positive Pay Accounting**

- Help prevent unauthorized, stolen or counterfeit checks from paying against your account

X **Remote Deposit Capture**

- Scan checks for deposit and electronically transmit those check deposits to your account

Lockbox

- Offers businesses speed and efficiency of getting money into your bank account faster by eliminating the need to go to the bank each time you receive a check Prosperity Bank offers two types of Lock Box Services
- Wholesale Lock Box - Allows businesses to see their daily deposit through our website

- Retail Lock Box - Gives businesses the ability to download their data directly into their accounting systems

Cash Management allows the County to provide for an Administrator ID and Password The Administrator sets-up the individual users and assigns access rights If the County utilizes ACH or Wire origination, each user will be provided a security device (VASCO token) to provide one-time-use-only passwords for each log in event Users may be set up to allow broad access, or highly restricted access, which may include dual-control access for transaction functions (one user prepares but cannot initiate, while another user can initiate but not prepare)

Prosperity Bank maintains robust contingency plans to deliver reliable electronic banking services In the event an electronic information system is unavailable, the County may contact the Banking Center for further assistance

A full internet-baking demo is available at www prosperitybanktx com From the home page, on the left-hand side of the page, find the NetBank Demo hyperlink Selecting Cash Management will allow review of ACH, Wire Transfer; Positive Pay, Security, Miscellaneous and Reports for both capability and ease of use

Prosperity Bank will have an associate(s) who are specialized in these services to assist in the implementation for the County

Reference 3 4 – A , Internet Banking Overview
B, Cash Management Overview
C, Internet Banking Services Agreement, Fees and Electronic Funds Transfer Disclosure
D, E-Statement Terms & Condition Disclosure

3.5 STOP PAYMENTS – The bank will be required to process stop payments based on written instructions faxed/emailed from the County Treasurer or assignee with follow-up written confirmation, as well as through online banking submissions Please provide information on services and/or tools that will allow Galveston County-Treasury to issue "stop payments" more efficiently

Understood __Agreed_______
Comment

Stop Payment orders may be initiated on-line No paper follow-up documentation is required, or by faxing instructions to the Banking Center Stop Payment orders are in effect for a six (6) month period, upon expiration a new Stop Payment order is required The original stop payment is available online in a stop payment list that may be reviewed for expirations A Stop Payment order must be received in time to allow processing, which is at least one hour after the opening of the next business day after the business day we receive the item

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3.6 DISBURSEMENT SERVICES – Standard disbursing services for all accounts are required to include the payment of all County checks upon presentation, including cashing the checks of vendor or employee paychecks whether or not they have an account with the bank, without charge to the County, the vendor, or the employee Please describe any additional disbursement tools that could improve our banking and cash management process

Understood __Agreed_______
Comment

For County employees, arrangements may be made to cash payroll checks without charge, if checks presented have been processed on Positive Pay Those arrangements will include a method for the Bank to positively identify the employee and confirm the payroll check information If payroll checks are not processed on Positive Pay, employees will be charged to cash checks unless County has provided an indemnification to hold us harmless if we cash a bogus check for someone we do not know (is not a customer of Prosperity Bank)

The Bank will not cash Vendor checks (made payable to a company or business name), however, if the Vendor is able to provide the Bank with an Endorsement Guarantee, we will issue a Cashiers Check payable to the Vendor (company or business name)

____

3.7 DEPOSIT SERVICES – The bank will guarantee immediate credit on all deposits such as wire transfers, ACH transactions and government checks upon receipt and all other checks based on the bank's availability schedule All deposits received before the bank's established deadline will be credited daily Please describe any services and/or tools such as Remote Deposit Capture, Check 21 Services that will allow us to more efficiently deposit checks into our accounts from various County Departments **Bank should provide a copy of their Availability Schedule as part of the application.**

Understood __Agreed______
Comment Funds Availability Policy Disclosure is attached

The business day cut-off time for deposits presented at the Galveston Banking Center is 4 00pm For Remote Deposit Capture deposits, the cut-off time is 6 00pm Internet banking account transfers may be made until 6 00pm for same day credit Night-deposit locked bags and access to a secure night drop box will be made available to the County at no cost The County may elect to use disposable tamper-proof bags, however, it is not required by the Bank

The Bank fully participates in electronic image exchange also know as "Check Clearing for the 21st Century Act" or "Check 21" for both items presented at our local banking centers, and for items presented by or to other clearing institutions (such as the Federal Reserve Bank) Items deposited at our local banking centers are scanned into electronic batches at the Banking Centers Captured batches are transmitted electronically to the processing host in Sugar Land, TX with a redundant contingency host in Dallas, TX Items processing staff located in Sugar Land and LaGrange, TX render electronic batches Deposited items scanned at the banking centers are subsequently destroyed following our retention schedule Items presented by other clearing institutions are in an electronic format only (no paper items are cleared by or through Prosperity Bank, excluding foreign items)

Prosperity Bank also offers remote check deposit A scanning devise is used by the County to scan checks, prepare the electronic deposit using software provided by the Bank, and securely transmit the electronic deposit to the Bank Prosperity utilizes the standard x9 37 format for remote check deposit The cut-off time for same –day credit is 6 00pm A daily balancing report can be printed by the County

Reference 3 7 – A, Funds Availability Policy Disclosure
B, Substitute Checks Disclosure
C, Remote Deposit Capture Program Policy
D, Remote Deposit Capture – Frequently Asked Questions / Fees
E, Remote Deposit Capture - Hardware Pricing

3.8 CASH OVERDRAFTS – For the purpose of determining cash overdrafts, the daily cash balance in all County accounts will be added together and if a negative balance occurs, the County's account is considered to be over-drafted An applicable insufficient funds fee can then be charged, if bank so requires

Understood __Agreed______
Comment

Overdrafts may be subject to the following

Overdraft item Fee – The Overdraft Item Fee will be waived if offsetting collected balances are on deposit in non-interest bearing deposit accounts

Accrued Interest Adjustment – If offsetting collected balances are maintained in interest-bearing deposit accounts only, the Overdraft Item Fee will be waived and an interest accrual debit adjustment will be made to the interest-bearing deposit account calculated on the amount and duration of the overdraft

Frequent and Continuous Overdrafts - If overdrafts continue to occur on a frequent basis, Prosperity Bank reserves the right to assess Overdraft item fees, regardless of compensating balances Additionally, if an account remains overdrawn for more than one business day, Prosperity Bank reserves the right to assess an Overdraft Interest Charge of which the rate will be equal to the prime rate published in the Wall Street Journal, as it changes

Daylight Overdrafts - Outgoing wires sent by the County during the business day will be processed against collected balances only

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3.9 PAYROLL DIRECT DEPOSIT – Bank should provide the capability for the County to utilize secure "Direct Deposit" payroll processing, allowing employees to select the bank of their choice Please describe your direct deposit payroll process

Understood __Agreed_______
Comment

Prosperity Bank encourages the County to utilize Cash Management ACH origination for County payroll Individual ACH payroll credit transactions may be input and initiated online through Internet Banking with employee individual selection on depository bank Employee accounts are not a condition of this bid, however, Prosperity Bank will offer "Free Checking with Direct Deposit" checking account to County employees The employee with direct deposit will be provided an account with no minimum balance and no monthly service charge

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3.10 POSITIVE PAY – Bank should provide a means for the county to upload disbursed check information that will compare to checks that are presented to the bank for clearing Any discrepancies shall be cleared by a designated county employee before check(s) are paid by the bank Any additional cost shall be quoted
Galveston County will combine positive pay service with bank reconciliation

* Are transmissions charged by the file and by the detail of the items? __No Charge_____
* Is Positive Pay input abstracts available for manual checks online?___Yes______
* Will exception reports be available online?_Yes________

Understood __Agreed with exception_______
Comment

Prosperity Bank does not offer account reconciliation that can be compared to Positive Pay

Positive pay data-files will be securely transferred to the Bank through a 'secure' Internet Banking import A data-file layout specification is detailed below Changed, removed, or voided checks can be included in the regular data-file or manually entered Codes for these events are provided in the file layout specification

The County's internet banking user will log in daily to view exception items Exception information is available online by 7 00am, the deadline for the County exception elections is 11 00am Exception elections are processed by the County designated internet banking user Images are available in Internet Banking

All checks, including those received by tellers and other Bank venues, are verified against the positive pay file before processing Teller information is updated at the start of the business day after the file is delivered through internet banking to Prosperity Bank

Field Name	Minimum Length	Maximum Length	Field Type	Format
Account Number	9	999999999	Numeric	
Check Number	9	999999	Numeric	Cannot be Zero
Date	999999	999999	Numeric	MMDDYY
Amount	9 99	99999999 99	Decimal	
Processing Code	"X"	"X"	Alpha	"I", "R", "C", "V"
Payee	"X"	"32" characters"	Alpha	"", "ABC Corp"

Reference 3 10 - A, Positive Pay Overview (Prosperity Bank does not charge for this service)

3.11 ACH AND WIRE TRANSACTIONS – Bank should provide for acceptance of ACH credits and debits and wire transfers The bank should have the ability to restrict outgoing ACH debits or wire transfers to only those authorized Currently Galveston County uses ACH Services to pay vendors, banking institutions will be required to provide detailed information concerning ACH services

Understood __Agreed_______
Comment

Individual ACH transactions and Wire Transfers may be input and initiated online through Internet Banking The County will be provided an Administrator ID and Password with Cash Management Users may be set up to allow broad access, or highly restricted access, which may include dual-control access for transaction functions (one user prepares but cannot initiate, while another user can initiate but not prepare) Prosperity Bank encourages the County to submit ACH pre-notification files to ensure correct transaction posting, however, it is not required The Bank will not charge for pre-note transactions ACH addenda details may be provided by notice sent by mail Filters / blocks are available on County accounts for ACH transactions Ability to Stop All ACH Debits, Stop All ACH Credits, Stop all ACH Debits and Credits, Stop ACH Debits by Company ID (by Vendor), Stop All Credits by Company ID (by Vendor), Stop ACH Debits and Credits by Company ID (by Vendor)

Per the National Automated Clearing House rules, a payroll credit file must be submitted 2 days prior to the effective date So for a Friday effective pay date, the ACH must be delivered to the Bank through Internet Banking by 3 00pm the preceding Wednesday

Reference 3 11 – A, Preauthorized Transfer of Electronic Debits and/or Credits - Agreement
B, Wire Transfer Request Initiated via Internet Cash Management - Agreement

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3.12 SECURITY AND SAFEKEEPING – Bank should provide for book entry/DTC acceptance and safekeeping of investment securities, if needed during the span of this contract A month-end safekeeping statement including market values will be provided Indicate cost associated with a security purchase settlement

Understood _ Not Applicable________
Comment

Prosperity Bank does not provide investment advice, administration, bookkeeping, or safekeeping services We do offer third party affiliate services through LPL Financial

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3.13 INTEREST AND INTEREST RATE – Variable interest rate bids and fixed interest rate bids on interest-bearing accounts and certificates of deposit shall be quoted by the bank Galveston County would like the right to select the rate most favorable to the County any time during the term of the contract, subject to banking laws

Understood __Agreed_______
Comment

Prosperity Bank will provide for variable interest rates only on checking (NOW accounts) and Money Market Accounts (MMDA accounts), Certificate of Deposit (CD's) are at a fixed rate only

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3.14 INTEREST-BEARING ACCOUNTS – Galveston County has accounts established under these specifications for disbursing checks written on Galveston County funds Checks and transfers will be written from these accounts Wire transfers, ACH transfers, internal bank transfers, and deposits will also be made from these accounts

Understood _Agreed with exception for MMDA Accounts________
Comment

NOW Accounts support this activity, however, Money Market Accounts fall under federal regulations that restrict the number of checks, drafts, or similar orders to third parties and preauthorized automatic or electronic withdrawals made by computer, telephone, ACH, or other similar device to six (6) per statement cycle from this account

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<u>3.15 SERVICES FOR TAX ASSESSOR/COLLECTOR ACCOUNT</u> – The Bank should provide direct deposit, ACH transfer and Lock Box services for the tax collections, which are paid out to the taxing entities daily

Understood __Understood with exception_______
Comment

Prosperity Bank will provide direct deposit and ACH via our Cash Management Product While Prosperity Bank offers Lock Box Services and will consider providing such service to Galveston County, such services are not being offered with this bid but would be considered as additional services based upon volumes and other considerations

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<u>3.16 PAYMENT FOR SERVICES</u> – The County requests that payment for services and supplies be provided as follows, if applicable
Settlement for service charges will occur every quarter (3months)

If earnings credit exceeds total service charges for the quarter, there is no service charge due

If earnings credit is less than total service charges for the three-month period, an invoice for the amount of the net deficiency will be presented to the County Treasurer

Understood _Agreed________
Comment

Account Analysis statements can be scheduled to process on a quarterly billing cycle

---

<u>3.17 CASH MANAGEMENT</u> – On an ongoing basis, the County will require cash management advice as to how accounts and procedures can be more efficiently and legally structured Also, the County will want to be kept informed of recent developments in cash management products Applying banks are invited to propose additional cash management services that are not specified herein, along with any cost or estimated savings to the County

Understood __Agreed_______
Comment

Prosperity Bank strives to deliver the most cost-effective electronic banking solutions As emerging technologies enter the market-place, please make us aware of any needs the County may have and we will assist to the best of our ability in engaging solutions for the county

Prosperity Bank has recently added Payroll Cards as an alternative for employers that no longer want to issue paper checks for those employees that either do not want a checking account or are unable to qualify for an account

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<u>3.18 EXPENSE ALLOWANCE</u> – State the dollar amount, if any, that the bank will be willing to provide for expenses incurred due to changing depository banks—e g checks, deposit slips, endorsement stamps, locking bank bags, etc

Understood __Not Applicable______
Comment ____

3.19 SHORT-TERM FINANCING – The County may require short-term financing during this contract in the form of Time Warrants

Fixed	Not Available	
Variable	Less than 1-yr Rate _Wall Street Journal Prime_	1-4-yr Rate _Wall Street Journal Prime ____

Understood __Agreed______
Comment

Prosperity Bank will consider short-term loans to the County priced at a daily rate equal to the prime rate published in the Wall Street Journal, with such daily rate changing each time the prime rate changes To obtain loan approval the County will be required to provide Prosperity Bank with financial information as requested by the Bank Prosperity Bank reserves the right to decline any loan requests

____

3.20 OTHER SERVICES – Bank will list services and fees, adding any not listed

Locked or Sealable Bags	At Cost	Standard Deposit Slips	At Cost
Laser Check Stock	At Cost	Endorsement Stamps	At Cost
Check books or binders	At Cost	Coin Wrappers	At Cost
Deposit slips w/ carbonless duplicate	At Cost	Currency Straps	At Cost
Lock Box Services	See Reference 4 5 18) – A Lockbox Pricing Fee Structure		
Bill Payment	$4 95 per month with no limit on number of transactions		

Understood _Agreed_______
Comment ______________________________________

3.21 OTHER UNSPECIFIED SERVICES AND/OR COSTS – Other services and/or costs not specified in this document should be listed and attached, along with a description and unit pricing
******Bidders are invited to propose additional cash management services that are not included******

SERVICES WORKSHEET FOR BID

4.1Interest Bearing Checking Accounts

	Variable* Interest Margin	Fixed Interest Rate
	Prosperity Bank NOW Sheet Rate as it changes with a floor of 0.75%	**Not Available**

Reference 4 1 - A Interest Bearing Checking Accounts - Calculations

4.2Money Market Accounts:	**Prosperity Bank Prosperfect Sheet Rate as it changes with a floor of 0.75%**	**Not Available**

Reference 4 1 – A Interest Bearing Checking Accounts - Calculations

*Variable Rate = 91-Day US T-Bill Effective Rate (as determined by daily T-Bill rate at www treas gov or latest T-Bill Auction) + Margin (Based on basis points)
Example If 91-Day US T-Bill effective rate is 3 3% and basis points are 1 0, the variable rate is 4 3%

4.3 Certificates of Deposits – Variable Interest Rate
91-Day US T-Bill Effective Rate (as determined by www.treas.gov or latest T-Bill Auction)

Prosperity Bank does not offer Variable Rates on Certificates of Deposit.

	Less than $100,000	**$100,000-999,999**	**$1,000,000 +**
1 Maturity 7-29 days	+_____basis pts	+_____basis pts	+ ___basis pts
2 Maturity 30-59 days	+_____basis pts	+_____basis pts	+ ___basis pts
3 Maturity 60-89 days	+_____basis pts	+_____basis pts	+ ___basis pts
4 Maturity 90-179 days	+_____basis pts	+_____basis pts	+ ___basis pts
5 Maturity 180-1 year	+_____basis pts	+_____basis pts	+ ___basis pts

Interest Paid Daily_____ Interest Paid Monthly____ Interest Paid Quarterly_____
Interest Paid Semi-Annually_____ Interest Paid Annually_____ Interest Paid @ Maturity_____

4.4 Certificates of Deposits - Fixed Interest Rate

1 Maturity 7-29 days	Not Offered%	Not Offered%	Not Offered%
2 Maturity 30-59 days	_Sheet Rate_%	_Sheet Rate_%	_Sheet Rate_%
3 Maturity 60-89 days	_Sheet Rate_%	_Sheet Rate_%	_Sheet Rate_%
4 Maturity 90-179 days	__Sheet Rate_%	_Sheet Rate_%	_Sheet Rate_%

5 Maturity 180- less than a year	__Sheet Rate_%	_Sheet Rate_%	_Sheet Rate_%
6 Maturity one year	___Sheet Rate_%	_Sheet Rate_%	_Sheet Rate_%

Interest Paid Daily_____ Interest Paid Monthly____ Interest Paid Quarterly_____
Interest Paid Semi-Annually_____ Interest Paid Annually_____ Interest Paid @ Maturity_____

Prosperity Bank offers CD terms for less than 1 year interest is compounded and credit at maturity.
Prosperity Bank offers CD terms for one (1) year & greater interest is compounded and credited quarterly.

Comment

Prosperity Bank interest rates on time Deposits will be at a Prosperity Bank CD rate in effect at the time of purchase for the like balance and term of the Time Deposit. Prosperity Bank does not offer a 7 to 29 day term Certificate of Deposit option. The rate quoted applies to all terms equal to or greater than 30 days>

4.5 Services Provided: (Indicate whether there will be a charge and, if so, the cost per unit.		**Yes**	**No**	**Amt/unit**
1) Monthly Account Analysis		√		$_15 00 per acct
2) Wire Transfer	Incoming		√	$ No Charge
	Outgoing	√		$_5 00___
3) ACH Debits/Credits				$__ 05____
4) In-House Acct Transfers		√		$__5 00___
5) Account Maintenance		√		$__15 00____
6) Deposits		√		$__ 20____
7) Items deposited		√		$__0 095____
8) Coin		√		$___ 10 per roll___
9) Currency		√		$ ___ 55 per strap___
10) Returned Items		√		$ __5 00__
11) Checks Paid		√		$__ 15____
12) Excess Collateral Charges				$ _Not Applicable_
13) Pledge/Releases				$ _Not Applicable_
14) Stop Payments		√		$ __25 00____
15) Night depository services, Including bags and keys		√		$ __20 00 Lock Bag 5 00 Key Deposit
16) Online Access			√	$ _No Charge_____
Statements-Daily		√		$ _____
Statements-Weekly		√		$ ______
Statements-Monthly		√		$ ______
17) Bank Management		√		$ ______

Positive Pay Services		_______	__√___	$ _No Charge__
Credit/Debit Card Services	Available third party vendor___√____		___	$ Rates dependent upon volumes / $ avg tickets
Remote Deposit Services		__√____	_____	$ See Reference 3 7 D & E

Reference 4 5 – A Products & Services - Schedule of Services & Fees dated 2/11

4.5 Services Provided: (CONTINUED)

	Yes	No	Amt/unit
18) Lock Box Services	√		$ See Ref 4 5 – 18) A_
19) ATM-Cost of Equipment- Please Provide Product and Cost information for at least 5 County Locations	√		$ At Cost - Prosperity will be happy to assist with implementation and on-going support

20) Charges for supplies, if any

	Yes	No	Amt/unit
Deposit slips	√		$_At Cost__
Laser check stock	√		$_At Cost__
Printed check books	√		$_At Cost__
Locked or Secure bags	√		$_At Cost__
Check images on CD	√		$_At Cost__
Endorsement stamps	√		$_At Cost__

21) Are there any additional charges for the requested collection, disbursement, investment or miscellaneous services or supplies not previously covered? If so, please describe and show the fee per unit

Service:

Yes	No	Amt/unit
	NO	$

***Galveston County is open to any suggestions and/or services not listed on this Services Worksheet. Please attach any suggestions and/or services on an attached sheet or in the space provided along with price, if any.**

Settlement for Service charges will occur every (3 months) quarter. If earnings credit exceeds the total services charges for the quarter, there is no service charge payment due. If the earnings credit is less than the total service charges for the quarter period, an invoice for the amount of the net deficiency will be presented to the County Treasurer

Understood _____Agreed ____
Comment ______________________________

BID CHECKLIST

- **ONE ORIGINAL(SIGNED)APPLICATION AND TWO COPIES**
- **CASHIER'S CHECK IN THE AMOUNT OF $600,000**
- **BANK'S AVAILABILITY SCHEDULE**
- **SERVICES WORKSHEET (PAGES 17-19)**
- **SAMPLE MOTHLY COLLATERAL REPORT**
- **SAMPLE ACCOUNT ANALYSIS REPORT**

Prosperity Bank
Reference 2 7 - A
Pledged Collateral

COLLATERAL AGREEMENT

ORIGINAL

STATE OF TEXAS

COUNTY OF __________

This agreement is made and entered into this ___day of _____________, by and between ______________________ ("Depository Beneficiary"), Prosperity Bank, a state banking association, ("Depository Bank"), and the **Federal Home Loan Bank of Dallas, ("Safekeeping Bank").**

WITNESSETH:

WHEREAS, ____________________and Depository Bank have entered into a Depository Contract dated ______________________; and

WHEREAS, under the provisions of law and the Depository Contract the Depository Bank must secure the deposits by pledging investment securities; and

WHEREAS, the securities pledged by the Depository Bank under the Depository Contract must be transferred to and held by a bank selected for safekeeping, and

WHEREAS, the Depository Beneficiary and the Depository Bank have selected the Federal Home Loan Bank of Dallas as the Safekeeping Bank,

NOW THEREFORE, it is agreed by the parties hereto as follows·

1 Depository Bank hereby places with Safekeeping Bank certain investment securities owned by Depository Bank which are pledged to Depository Beneficiary as security for its deposits with Depository Bank,
2 The Depository Bank may from time to time substitute or place with Safekeeping Bank additional securities which are pledged to Depository Beneficiary. Whenever pledged securities are placed by Depository Bank with Safekeeping Bank, the Safekeeping Bank shall issue original safekeeping receipts within three (3) business days of such placement to the Depository Bank. No security placed with the Safekeeping Bank under this agreement shall be released by Safekeeping Bank except pursuant to the joint instructions of the Depository Beneficiary and the Depository Bank.
3 Securities placed with the Safekeeping Bank shall be under the joint control of the Depository Bank and the Depository Beneficiary. However, in the event the investment officer of the Depository Beneficiary certifies in writing to the Safekeeping Bank with a copy to the Depository Bank that the Depository Bank has failed to perform any of the duties or obligations imposed by the Depository Contract or the depository laws of the State of Texas and said failure has

continued for three business days, with no attempt on the part of the Depository Bank to rectify the failure ***after proper notice***, then the Depository Bank shall have no further control over the pledged securities and the Safekeeping Bank shall deliver to the investment officer of the Depository Beneficiary all securities deposited hereunder without requiring further authorization, release or direction from the Depository Bank. Further, the Depository Bank does hereby release and discharge the Safekeeping Bank from any liability for the release of the pledged securities to the Depository Beneficiary in accordance with the provisions of this paragraph.

4. Safekeeping Bank agrees to perform all duties hereof and to indemnify the Depository Beneficiary for loss, cost, or expense, including reasonable attorney's fees, arising out of or relating to its failure to perform the duties imposed upon it by this Collateral Agreement.
5. Depository Bank agrees to pay all costs or charges imposed on it by Safekeeping Bank for the performance of services provided under this Collateral Agreement
6. Any suit arising out of or in any way connected with this Collateral Agreement shall be brought in a court of proper jurisdiction in __________ County, Texas

EXECUTED in multiple originals this ______, day of ________________.

Depository Bank
Prosperity Bank

By: ____________
Its: ____________

Depository Beneficiary
____

By ________________
Its. ________________

Safekeeping Bank
Federal Home Loan Bank of Dallas

By: ______________________
Its ______________________

Prosperity Bank
Reference 2 10 – A
Pledge Security Listing

PROSPERITY BANK, EL CAMPO, TX

Pledge Security Listing

March 31, 2011

Cusip	ID	Description	Safekeep	Receipt	Face	Current Par	Cpn	Call	Mature	Moody	S&P	Fitch	F115	Book	Market	Gain

Reference to Interest Rate Shifts represent a shift in the Treasury Curve   Actual Market Yield shift on Individual Securities may differ   See the report 'Market Yield Shift Assumptions' for more information

Other Reports

Prosperity Bank
Reference 3.1 – A
Model Account Analysis

Galveston County				
All Accounts Combined (Summary Statement)				
Balance Related Services				
Average Net Collected Balance			$ 34,025,893 69	
Less Reserve Requirements @ 10%		10 00%	$ (3,402,589 37)	
Equals Investable Balance			**$ 30,623,304.32**	
Earnings Credit Rate 91-d T-Bill minus 0 50% w/ 1 00% Floor		1 00%	$ 26,008 83	
Activity Service Charges - Processing Charges	**Volume**	**Unit Price**	**Service Charge**	**Comments**
Depository Services				
Account Maintenance	41	15 00	$ 615 00	
Including FDIC Insurance	34,026	0 16	$ 5,444 14	
Branch (Over the Counter) Deposit	0	0 20	$ -	
Deposits - Other Credits	0	0 20	$ -	
Credits Posted - Electronic	0	0 20	$ -	
Credits Posted - other	3,695	0 20	$ 739 00	
Non-Cash Deposit Correction	0	3 50	$ -	
Checks Paid Regular	0	0 15	$ -	
Debits Posted Electronic	0	0 15	$ -	
Debit Posted - Other	5,319	0 15	$ 797 85	
Stop Pay	5	25 00	$ 125 00	
Return Item	42	5 00	$ 210 00	
Checks Deposited Local Items	10,274	0 095	$ 976 03	
Checks Deposited Foreign Items	0	10 00	$ -	
Overdraft Items	12	32 00	$ 384 00	Note - Accr Adj,WSJ OD Rate
Loc Services				
Mor Maintenance Fee	0	75 00	$ -	
Pe ck Item fee	0	0 26	$ -	
Pe ditional piece (other) fee	0	0 26	$ -	
eImaging-Per Item fee	0	0 20	$ -	
Internet/email Fee - Monthly	0	20 00	$ -	
Check and List (Per Key Stroke	0	0 10	$ -	
Correspondence handling/No check mail - per item	0	0 25	$ -	
No check mail Imaging (Per Page)	0	0 10	$ -	
Data Transmission - Monthly	0	100 00	$ -	
Bank Implementation Fee (One Time)	0	150 00	$ -	
Daily Data Transmission	0	TBD	0	
Daily Courier	0	TBD	0	
Coupon preparation - download from web site	0	TBD	0	
Opening Mail	0	0 10	$ -	
Return of empty envelopes	0	0 05	$ -	
Listing of Items on CD Rom	0	0 03	$ -	
PO Box Annual Rent	0	TBD	0	
Computer Programming Customization per hour	0	250 00	$ -	
Extra Photocopy	0	0 15	$ -	
Facsimile Notification of Deposit - Per Month	0	50 00	$ -	
Commercial Deposits Cash Vault *				
Strapped Currency (per strap)	0	0 05	$ -	
Rolled Coin (per roll)	0	0 10	$ -	
Deposit Correction – Cash	0	3 50	$ -	
ACH SERVICES				
Monthly Maintenance Fee	1	59 95	$ 59 95	
Cor er On Us Credits	22,000	0 05	$ 1,100 00	
Co r Off Us Credits	0	0 05	$ -	
Cr ner On Us Debits	44	0 05	$ 2 20	
Co ner Off Us Debits	0	0 05	$ -	
ACH Return Item	10	5 00	$ 50 00	
ACH Blocks/Filters Maintenance	0	25 00	$ -	
ACH Blocks/Filters Add/Change	0	25 00	$ -	

Activity Service Charges - Processing Charges	Volume	Unit Price	Service Charge	Comments
WIRE TRANSFER				
Ele[illegible] Wire Out - Domestic	0	5 00	$ -	
El[illegible]ic Wire Out - Book Debit	0	5 00	$ -	
E[illegible]ic Wire Out - Foreign	0	40 00	$ -	
ACCOUNT RECONCILIATION				
CD ROM Statement	0	NC		
Positive Pay Account	0	NC		
Positive Pay Item	0	NC		
Positive Pay Item Return Other Fraud	0	NC		
Partial Recon Output Item Tran	0	NC		
Partial Recon Output File - Tran	0	NC		
AUTOMATED SERVICES				
Auto Mutl Fund Investment – SWEEP per account	0	0 00	$ -	
SAFEKEEPING & SEC. CLEARING				
Account Maintenance	0	0 00	$ -	
Safekeeping of Assets-Receipt	0	0 00	$ -	
FEE - $1,000 Par Value	0		$ -	
FEE - $1,000 Par Value	0	0 00	$ -	
FEE - $1,000 Par Value	0	0 00	$ -	
FEE - $1,000 Par Value	0	0 00	$ -	
Disbursement Fee (Credit Acct)	0	0 00	$ -	
Deposit - Withdrawl Fee	0	0 00	$ -	
Securities Clearance	0	0 00	$ -	
MISCELLANEOUS				
Check Photo Copy-Non Truncated	0	3 00	$ -	
CPA Confirmations Per Request	0	NC		
Ca[illegible]hecks/Official Checks	0	5 00	$ -	
Mis[illegible]eous Research Charges per hour	0	25 00	$ -	
N[illegible]tionship Customer Check Cashed	0	0 10	$ -	$10 Min, 10% of Amt Cashed
Sta[illegible]ent Copies	0	3 00	$ -	
Interest Earned on Balances.				
Checking with Interest Sheet Rate	34,025,894	0 600%	$ 17,339 22	
Total Charges -			$ 27,842 40	
Net Excess/(Deficit)			**$ (1,833.56)**	
Analysis Charge to Entity			**$ (1,833.56)**	
Interest Paid on NOW			**$ 17,339.22**	
Money Market Sheet Rate	91,919,387	0 750%	**$ 58,551 39**	

Net Earnings to Entity	**$ 74,057.05**

INTERNET BANKING

Prosperity Bank delivers real-time interactive account information solutions to our customers through our Internet Banking Solution Prosperity Internet Banking enables our customers to connect with us via the Internet 24 hours a day, 365 days a year with state of the art precision that affords new levels of functionality, security and ease of operation Browser based, Prosperity Internet Banking employs point-and-click simplicity that allows even novice users immediate access to vital banking functions.

Features & Functions

Prosperity Internet Banking offers the fastest and most comprehensive opportunity to empower our customer to perform their banking needs whenever, wherever, and however they want to A sampling of Prosperity Internet Banking's on-line, real-time features and functions include

- Account Information Inquiry
- Statement Retrieval
- Online Funds Transfer
- Online Loan Payments
- Current Transaction Listing
- Online Bill Payment
- Product and Rate Information
- Image Viewing*
- Transaction Downloads
- E-mail

* *Provided through separate Online Image system*

On-Line Bill Paying

Our customers can pay any person or business in the USA through Prosperity Internet Banking Bill Pay features Customers can build a unique Personal Payee List on a recurring schedule Totally comprehensive, yet customizable by each and every user, Prosperity Bill Pay provides the convenience, accessibility, and reliability demanded to today's banking customer

- View Personal Payment Schedule
- Search Master Payee List
- Search Master Payee Results
- Create New Unlisted Payee
- Complete Payee
- Complete Payee – example
- Complete Payee Results
- Detailed Report
- Setup New Payment
- Payment History
- Selected Payee Report
- Bill Payment User's Guide

Unmatched Security

Prosperity Internet Banking security goes far beyond that of most home banking solutions, Prosperity Banking features multiple levels and types of security throughout the product design, as well as during the customer's banking session Internet Banking employs Secure Socket Layer (SSL) protocol to ensure all date is encrypted, industry-leading fire walls, custom designed architecture, unique identifiers and passwords, and continual suspect monitoring and reporting Consistent invalid ID attempts result in user 'lock-out' and suspect report generation Customers will also be 'logged off' after a period of inactivity Designed and tested with and by industry experts, Internet Banking security technologies will protect our customer

On-Line Help

Once logged in to the Prosperity Internet Banking session, our customer has access to an entire on-line help support By clicking the 'Help" tab, customers can reference indexed help, on-line glossary, and search capabilities In addition, e-mail support, manned solely by Internet Banking dedicated associates, is available during regular business hours

Interactive Web Contents

- Home Banking Log In
- Changing Your Pin
- Help
- Account Listing
- View Account Information
- View Current Transactions
- View Previous Statement
- View Check Images
  Select Range of Transactions
- Transfer Funds
  Schedule Transfers (Automatic Funds)
- View Schedule Transfer List
- Process Transfer Funds
- View Stop Payment List
- Download Transaction Results
- View Current Interest Rates

- Enter Stop Payment
- Account Management
- Change Pin
- Change Personal ID (Alias)
- Reset Login Count
  Change Pseudo Account Name(s)
- Display Options
- Download Transactions
- Personal Finance (QIF) Quicken, Money
- Spreadsheet (CSV) Excel, Lotus or other
- Word Processing (TXT) any word processing system
- OFX (Open Financial Exchange)
  'Single Click' open Money and Import and post to the file automatically

CASH MANAGEMENT

On-line, Real-Time Internet Banking Services

- Account information inquiry includes current and available balances
- Online statement retrieval
- Transaction history download
- Schedule "one time" or "recurring" funds transfer between accounts
- Schedule "one time" or "recurring" loan payments

Web-based Wire Transfer Origination

Set up and initiate "one time" or "recurring" wire transfer instructions through our Internet Banking Product Single-user, multi-user, and/or dual control authorities are allowed with password and dollar-limit restrictions

Web-based ACH Origination

- Originate electronic payroll deposits or payment drafts through our Internet Banking Product
- Import NACHA-ready files from third-party software applications, or create payroll or payment databases directly in our products

Web-based Bill Pay Services

Create accounts payable databases and initiate payments online through our Internet Banking Product

Positive Pay Accounting – No Charge

Help prevent unauthorized, stolen or counterfeit checks from paying against your account Periodically transmit to us a database of issued checks and we will cross-reference the list to checks paying against your account daily

Lock Box Services-Price available based on transaction volumes and other variables related to lock-box processing

Payment collections and processing reduces collection time on checks

Merchant Credit Card Services

Credit Card acceptance for all type of businesses including retail stores, restaurants, hotels and service companies

Master-Money Business Cards

- An alternative to carrying cash or business checks
- Direct debiting from your business account, no finance chares unless you access an overdraft line of credit

- Easier money management to track all purchases and ATM withdrawals on your business account bank statement

Target Balance (Sweep) Accounts

Link accounts together to transfer funds as needed
- 24 Hour FastLine automated telephone banking
- Investment Services

NetBank Agreement

Internet Banking Services Agreement, Fees and Electronic Funds Transfer Disclosure
Print & Retain for Your Records

This agreement (the "Agreement") is between Depositor ("I", "me", "my", and "mine") and Prosperity Bank ("Bank") for the delivery of the Internet Banking Services as described below

Section 1. Definitions

Accounts: Any Personal Account as included on the Internet Banking Application and approved by the Bank in writing
User: Any Individual that I have authorized the access and use of the Internet Banking Services according to the rules and procedures described herein
Business Day: The day during which the main office of Bank is open for business, in accordance with specified cut-off times, and during which Bank is able to download my information and process transactions
Current Balance: The Account balance that is the result of the total debit and credit activity as of a specific date and time for all Accounts
Collected Balance: The Current Balance of the Account, less float
Available Balance: The current balance of the Account minus holds, and memo posted debits plus memo posted credits
Float: Dollar amount of deposited items that are in the process of collections from the drawee banks Also known as uncollected funds
Hold: A restriction on payment of all or any part of the balance in an account
Memo Posted Debits: Any debits posted to the account for business day For example ACH debit transactions, wire transfers, and teller cashed checks
Memo Posted Credits: Any credits posted to the account for the business day For example, ACH credit transactions and wire transfers

Section 2. Internet Banking Services

As a member of the Internet Banking Services, User and I may request any of the services listed below I understand that I must have a checking account, User ID and password with Prosperity Bank in order to receive Internet Banking Services

Perform Account inquires on Account data and transaction history on the Accounts

Initiate stop payment requests. I understand the electronically transmitted stop-payment orders are pending final verification that check has not been processed and that stop payment is valid The Bank must receive the stop-payment order, in writing, in time to allow the Bank reasonable opportunity to act on it before the stop-payment cut-off time which is one hour after the opening of the banking day on which Bank receives the item Bank agrees to receive my request to initiate a stop payment order To be effective, my stop-payment order must precisely identify the number, date and amount of the item, and payee I agree to hold the Bank harmless for all expenses, cost and attorney's fees incurred by it as a result of refusing payment of said check I further agree not to hold the Bank liable for payment contrary to this request if payment occurs through accident, inadvertence or oversight otherwise than through lack of good faith or failure to exercise due care on the Bank's part Stop payment orders placed will be effective for six months only from the first business date placed I understand there will be a fee assessed by Bank in connection with this stop payment, (as stated in the Bank's Schedule of Service Charges & Fees) and further understand that if payment on the item is stopped, the payee or other holder of the item might still be able to recover from me the amount of the item, plus other damages By my signature on the Internet Banking Services Application, I hereby accept the terms and conditions of this Agreement

Send and receive E-mail messages (to and from the Bank) Messages to the Bank will automatically be routed to a Bank e-mail box Bank is not responsible for any delay in messages being retrieved Urgent messages should be verified by a telephone call to Bank User and I are responsible to periodically check for messages sent by the Bank I agree to not send critical data (that is account numbers, Social Security numbers, or other sensitive data) via e-mail messages

Initiate transfers between any accounts set up within Internet Banking with the exception of time accounts Refer to Internet Banking System Setup/Transfer Limits for other transfer limits I am limited to six pre-authorized automatic transfer or withdrawals per month out of regular and money market savings accounts Three of the six transfers for Money Market and Savings accounts can be made by check, draft, or debit card Transfers made via Internet Banking are included as preauthorized or automatic transfers subject to these limitations Any transfers in excess of these limits must be done in person at the Bank or be subject to account closure I am not permitted to transfer more than the available balance from deposit accounts

Download transaction history file.

Section 3. Internet Banking System Setup/Transfer Limits

Bank agrees to set up my account information on Internet Banking as described in the Internet Banking Services Application

Bank assumes no liability for changes or modifications to the account setup after initial installation of the Internet Banking Services

I understand that Account Transfers received after Bank transfer cutoff time (6 00 p m) may not be processed until the following business day If Bank does not make a transfer on time, or in the correct amount according to my instructions given in accordance with this Agreement, Bank will be liable for damages caused However, there are some exceptions Bank will not be liable, for instance, if (1) through no fault of Bank, my account does not contain sufficient funds to make the transfer, (2) the payment or transfer would go over the credit limit on my overdraft line of credit, (3) the equipment, phone lines, or computer systems were not working properly or were temporarily unavailable, (4) circumstances beyond Bank's scope of control, such as fire or flood, prevented the payment or transfer, despite reasonable precautions that Bank has taken, (5) a court order or legal process prevents Bank from making a transfer or payment, (6) I have previously reported, or Bank has a reasonable basis for believing that unauthorized use of ID code and password, or designated account have occurred or may be occurring, (7) if I default under any agreement with Bank, or (8) if Bank or I terminate this Agreement

I understand that Account Transfers to a loan account will be considered a scheduled payment and will affect the payment schedule of the loan account unless I designate the appropriate type of payment with the transfer I can make unscheduled principal or interest payments by designating the appropriate type of payment with the transfer

A confirmation number will be given at the time I process a transfer using the Internet Banking System It is my responsibility to record this number, along with scheduled date and transaction amount in my checkbook register (or other permanent record), because this will help in resolving any problems that may occur

I authorize the Bank to set up accounts listed on the Internet Banking Services Application on Internet Banking Services I must notify Bank in writing if I wish Bank to set up additional accounts I realize that additional accounts set up on Internet Banking may alter the monthly maintenance fee as described in the Fee Schedule below I agree to pay all services fees as modified under the Fee Schedule

Section 4. Acknowledgements, Responsibilities, and Liabilities of Depositor/User

Hardware/Software Requirements

User and I are responsible for obtaining, maintaining, and updating the necessary hardware and related equipment needed to utilize the Internet Banking Services As of the date of this Agreement, the necessary equipment includes Personal Computer with Internet access and web browser To ensure my ability to view various features of Bank's web site, I understand it is my responsibility to update my web browser periodically so that the entire web site may be viewed

Bank reserves the right to eliminate or change any of the function capabilities at any time without prior notice

User Manuals/On-Line Help

I can access the user's manual through the on-line help screen I agree not to copy or otherwise duplicate the User's Manual or updates

Unauthorized Use of Web Site/User-Manuals/On-Line Help

I have no right, title, or interest to the Internet Banking System or copies of it I will not make, or permit anyone else to make copies of the Internet Banking System and User's Manual I agree to notify Bank promptly and in writing of any circumstances of which I have knowledge relating to any possession, use, or use of any portion of the Internet Banking Services and the User's Manual by an unauthorized person

Set-Up and Password Security

Bank agrees to conduct initial training for me to set up the initial security provisions for the Internet Banking Services Bank is not responsible for my actions or negligence in setting up my security access to Internet Banking Services and assigning User IDs to such appropriate users User and I will not make any passwords or ID codes available to any non-authorized persons User and I will not disclose any information pertaining to its use or the components of the Internet Banking Services

Bank and I agree that the password and ID code security procedures provided under the Internet Banking Services are reasonable and the parties further agree that transactions conducted under the password and ID code shall be deemed to be authentic payment orders binding on me

Liability & Unauthorized Use

I will notify Bank immediately if I believe an unauthorized person knows my ID code and password, lost or stolen Telephoning is the best way of keeping my possible losses down I acknowledge that I could lose all the money in my account (plus my maximum overdraft line of credit) If I tell Bank within 2 business days, I can lose no more than $50 if someone used my ID code and password without my permission If I believe my ID code and password has become known to an unauthorized person, lost or stolen, and I tell Bank within 2 business days after I learn of the loss or theft, I can lose no more than $50 if someone used my ID code and password without my permission If I do not tell Bank within 2 business days after I learn of the loss or theft of my ID code and password, and Bank can prove Bank could have stopped someone from using my ID code and password without my permission if I had told Bank, I could lose as much as $500 Also, if my statement shows transfers that I did not make, I will tell Bank at once If I do not tell Bank within 60 days after the statement was mailed to me, I may not get back any money I lost after the 60 days if Bank can prove that Bank could have stopped someone from taking the money if I had told Bank in time If a good reason (such as a long trip or a hospital stay) kept me from telling Bank, Bank will extend the time periods If I believe my ID code and password have become lost or stolen or that someone has transferred or may transfer money from my account without my permission, I will call Bank Internet Customer Support at (713) 693-9300, or write to Prosperity Bank, ATTN Internet Bank Customer Support, P O Drawer G, El Campo, TX 77437

Errors Resolution

In case of errors or questions about my electronic transfers, I will call Bank Internet Customer Support at (713) 693-9300, or write to Prosperity Bank, ATTN Internet Bank Customer Support, P O Drawer G, El Campo, TX 77437, as soon as I can, if I think my statement or receipt is wrong or if I need more information about a transfer listed on the statement or receipt Bank must hear from me no later than 60 days after Bank sent the first statement on which the problem or error appeared I must (1) tell Bank my name and account number, (2) describe the error or the transfer I am unsure about, and explain as clearly as I can why I believe it is an error or why I need more information (3) tell Bank the dollar amount of the suspected error If I tell Bank orally, Bank may require that I send Bank my complaint or question in writing within 10 business days Bank will determine whether an error occurred within 10 business days (20 business days if the transfer involved a new account) after Bank hears from me and will correct any error promptly If Bank needs more time, however, Bank may take up to 45 days (90 days if the transfer involved a new account, a point-of-sale transaction, or a foreign-initiated transfer) to investigate my complaint or question If Bank decides to do this, Bank will credit my account within 10 business days (20 business days if the transfer involved a new account) for the amount I think is in error, so that I will have the use of the money during the time it takes Bank to complete it's investigation If Bank asks me to put my complaint or question in writing and Bank does not receive it within 10 business days, Bank may not credit my account An account is considered a new account for 30 days after the first deposit is made, if I am a new customer Bank will tell me the results within three business days after completing its investigation If Bank decides that there was no error, Bank will send me a written explanation I may ask for copies of the documents that Bank used in its investigation
I have received and understand all signature card rules and regulations and all agreements and disclosures connected with opening of Accounts and acknowledge that this Agreement is in addition to any of these agreements and disclosures

I will continue to receive regular account statements that describe all transactions for the Accounts including the transactions that I have initiated through the Internet Banking Services I am responsible to promptly review all statements and report in writing any irregularities to the Bank at once For all electronic transactions governed by Reg E, errors or questions about my electronic transaction must be reported to the Bank no later than sixty (60) days after the Bank sent the first statement on which the problem or error appeared

Fees & Discontinuance of Service

I acknowledge that fees for the Internet Banking Services will be paid monthly as disclosed on the Bank Internet Banking Services Fee Schedule These fees are in addition to any fees and service charges currently being paid Any pricing or policy changes adopted by Bank in the future will constitute modifications or addends to the Agreement but will not nullify it I acknowledge that I may be asked to designate a payment account for selected services such as Bill Pay and authorize Bank to charge my account or any other account for the fees

This Agreement shall continue until Bank receives written notification of my revocation or should my Internet Banking or Bill Payment Services Application have no activity for a 90-day period, my ability to use this service may be automatically terminated The Bank also reserves the right to terminate my Internet Banking Services Application, in whole or in part, at any time for any reason Termination by either party does not relieve me of my liability for transactions or responsibilities for payment of all fees incurred prior to termination I may terminate the Internet Banking Service by writing to Prosperity Bank, ATTN Internet Bank Customer Support, P O Drawer G, El Campo, TX 77437

Section 5. Acknowledgments, Responsibilities, and Liabilities of Bank

Bank will provide training on use of Internet Banking

The Bank has entered into a licensing agreement with Precision Computer Systems, for the delivery of the Internet Banking Services The Internet Banking Services shall be considered part of Precision Computer Systems, and all rights, title, and interest shall remain with them

Except for acts of gross negligence or willful breach of duties by Bank, Bank will not be liable to me for any matters related to this Agreement, including without limitation, lost profits or consequential, special, or punitive damages, inaccuracy, or delays in transmission of information

Bank makes no warranties or representations with respect to the Internet Banking Services software, express or implied, including but not limited to, warranties of merchantability or fitness for a particular purpose

Section 6. Joint Acknowledge and Representations

This agreement is governed by and will be interpreted under the laws of the State of Texas

This agreement incorporates by reference all information on my Account Application, which I represent as true and complete in all respects

I have read and understand this Agreement and have had opportunity to review this Agreement with an advisor of my choice if so desired

Upon occurrence of any overdraft incurred in the Accounts, Bank shall have the right, in Bank's sole discretion to (i) refuse payment of any outstanding and unpaid check drawn on any Account listed on the Internet Banking Application, and (ii) withhold from processing any transaction generated on the Account (including Internet Banking Services generated) until sufficient collected funds to cover such transaction have been credited to the Accounts Each party represents and warrants to the other that it is authorized to enter into this Agreement

If at any time any section of this Agreement is found to be invalid, that does not make the remaining sections or terms invalid

Section 7. Fee Schedule

Prosperity Net Bank is a free service for all Prosperity Bank account holders. Additional *fees apply for Bill Pay, Wire Transfer Services and ACH Origination. See below for* additional services and fees.

- **Personal Checking, Budget Checking, Prosperity Prime Checking, Checking with Interest, Royal & Royal Gold (including Royal 55 and Royal 55 Plus) Account Holders·**
  - Bill Pay Fee - *FREE Service
  - * The qualifying account must be on a "charge" service charge status, otherwise fees as disclosed under "All Other Account Holders" will apply
- **All Other Checking Account Holders:**
  - Bill Pay Fee - $4 95 each month First 20 transactions per month, FREE, $0 34 for each transaction over 20 per month
- **Small Business Package** - Internet Wire Services & Bill Pay (more information)
  - $5 95 per month
  - Internet Wire Transfer Requests, $10 00 each
  - Bill Payments, $0 35 each
- **Basic Business Package** - Internet Wire Services (more information)
  - $19 95 per month
  - Internet Wire Transfer Requests $5 00 each
- **Premium Business Package** - Internet Wire Services & ACH Origination (more information)
  - $59 95 per month
  - Internet Wire Transfer Requests $5 00 each

E-Statement

Terms and Condition Disclosure / Agreement

The following provisions constitute an amendment to the Account Agreement Terms and Conditions (the "Terms") of Prosperity Bank (hereinafter referred to as "we", "our", "us" and "Bank") concerning electronic delivery of statements and notices concerning accounts, including time deposits, maintained by any individual, corporation, partnership, association, or other legal entity (herein referred to as "you", "yours", and "Depositor"). To the extent there is any conflict between any statement made in this Disclosure and the Terms, this Disclosure shall control

Election And Authorization For Electronic Delivery

By signing the E-Statement Application, you elect and authorize us, at your discretion, to electronically deliver your account statement(s) and notices that we are required to provide to you under applicable Federal and State statutes and their implementing regulations, as amended from time to time, including, but not limited to the following:

Truth in Lending Act
Truth in Savings Act
Fair Credit Reporting Act
Electronic Funds Transfer Act
Home Mortgage Disclosure Act
Fair Housing Act
Equal Credit Opportunity Act
Consumer Leasing Act
National Bank Act
Texas Banking Act
Gramm-Leach-Bliley Act

Other Federal and State statutes may be enacted or amended in the future to provide for electronic delivery of account statements and notices. Your signature on the E-Statement Application also authorizes us, at your sole discretion, to provide electronic delivery of such statements and notices pursuant to these statutes after they become effective. If there is more than one Depositor that is a party to the account, notice to any one Depositor will be effective for all. To revoke this consent you must either call your local banking center or write the Bank at 1301 North Mechanic, P. O. Box G, El Campo, TX 77437.

E-Mail Address

We will send your periodic account statement notification(s) to you via e-mail to the last known e-mail address provided by you. You agree to notify us promptly in writing (by letter sent via U. S. Mail) of any changes to your e-mail address. For your protection and for security purposes, we will not accept any change of e-mail address notices via e-mail or telephone. If you have not notified us in writing of any changes to your e-mail address, you agree that your failure to provide us with a good e-mail address is the lack of ordinary care on your part. If we become aware that your are not receiving your E-Statement(s) and notices, we will send your E-Statement(s) and notices to you via U.S. Mail to your last address known to us

If you have a "multiple-party account" as defined in the Terms, your e-mail address may be changed using the procedure described above by any authorized party to your account. The Bank shall have no obligation or liability to any of the parties to a multiple-party account if the e-mail address is changed using the procedures set forth above.

E-Statements Delivery Date and Image Copies

Your E-Statement delivery date will be revised to deliver at each month-end You can obtain images of items through the "History Section" of the Express Net Bank service, which stores 90 days worth of history Should you need a copy of an item greater than 90 days, refer to the "Request Image Copies and Fee" section of this Agreement.

Prompt Review of E-Statements

The E-Statement date will be considered the date that the e-mail notification is sent (the "E-mail Date") You must review your E-Statement and any accompanying items (within the applicable time periods specified in the Terms) and notify us of any error, unauthorized signatures, lack of signature, alteration or other irregularities. If you allow someone other than you to review your statements, you must still review the statement for any error, unauthorized signatures, lack of signature, alteration or other irregularities because you will be responsible for the wrongful acts of your employees and agents Any applicable time periods within which you must notify us of any errors on your account statement(s) shall begin on the E-mail Date regardless of when you received and/or reviewed the E-Statement

Liabilities

Notwithstanding any provision to the contrary contained in this agreement, we shall be responsible only for performing the E-Statement Services as expressly provided for in this agreement

We shall be liable only for material losses, which are the direct result of our own negligence or intentional misconduct in performing these E-Statement Services We shall have no liability for failure to perform any E-Statement Services or for any disruption or delay in performing E-Statement Services in the event such failure, disruption or delay is due to circumstances beyond our reasonable control, including but not limited to, failure or disruption of electric power, computer equipment, telecommunications systems, your ISP, or weather conditions.

We shall have no liability for any consequential, special, punitive damages or indirect loss under any circumstances.

Except to the extent that we are liable under this agreement, you agree to indemnify and hold us and our directors, officers, employees and agents harmless from all claims, demands, judgments, and performance of these E-Statement Services. You agree that this indemnification shall survive the termination of this agreement.

Disclaimer of Warranty

Bank makes no warranties or representations with respect to the software program used to access the E-Statement Services, express or implied, including but not limited to, warranties of merchantability or fitness for a particular purpose.

Discontinuance of Service

This Agreement shall remain in full force and effect until it's terminated by either party upon thirty (30) days' prior written notification to the other party. You may terminate the E-Statement Service by either calling your local banking center or writing to Prosperity Bank, ATTN· Customer Support at 1301 North Mechanic, P. O. Box G, El Campo, TX 77437.

Joint Acknowledge and Representations

This agreement is governed by and will be interpreted under the laws of the State of Texas. This agreement incorporates by reference all information on your Account Application, which you represent as true and complete in all respects. You have read and understand this Agreement and have had opportunity to review this Agreement with an advisor of your choice if so desired. If at any time any section of this Agreement is found to be invalid, that does not make the remaining sections or terms invalid.

Request Image Copies and Fees

Bank will provide at no charge two (2) photocopies per statement cycle period upon request from you.

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- Additional photocopies of items if you provide payment date and amount of item .. .$2 00
- Additional photocopies of items if you do not provide payment date and amount of item $4.00

PROSPERITY
BANK®

1301 North Mechanic
El Campo, TX 77437
979-578-8181

FUNDS AVAILABILITY POLICY DISCLOSURE

PURPOSE OF THIS DISCLOSURE
The information describes our policy for holding deposited items in a transaction account before funds are made available to you for withdrawal This is what is called our Funds Availability Policy

For purposes of this disclosure, the terms "you" and "your" refer to the customer and the terms "our" "we" and "us" refer to the Bank

Generally, transaction accounts are accounts which would permit an unlimited number of payments by check to third persons, and also an unlimited number of telephonic and preauthorized transfers to third persons or other accounts you may have with us

DETERMINING THE AVAILABILITY OF YOUR DEPOSIT
The length of the delays varies depending on the type of deposit and is explained below When we delay your ability to withdraw funds from a deposit, you may not withdraw the funds in cash, and we will not pay checks you have written on your account by using these funds Even after we have made funds available to you and you have withdrawn the funds, you are still responsible for checks you deposit that are returned to us unpaid and for any other problems involving your deposit

When we delay your ability to withdraw funds, the length of the delay is counted in Business Days from the day of your deposit The terms "Business Day" means any day other than a Saturday, Sunday or federally declared legal holiday, and the term "Banking Day" means that part of any Business Day on which we are open to the public for carrying on substantially all of our banking functions

If you make a deposit before 4 00 pm on a Business Day that we are open, we will consider that day to be the day of your deposit However, if you make a deposit after 4 00 pm or on a day that we are not open, we will consider the deposit made on the next Business Day we are open

AVAILABILITY SCHEDULE
Same Day Availability Funds from electronic direct deposit to your account will be available on the day we receive the deposit

Next Day Availability Funds from the following deposits are available on the first business day after the day of your deposit (a) U S Treasury checks that are payable to you, (b) wire transfer, including preauthorized credits, such as social security benefits and payroll payments, and (c) checks drawn on us

In addition, if you make the following deposit in person to one of our employees, these deposits will also be available on the first business day after the day of your deposit (a) cash, (b) state and local government checks that are payable to you, (c) cashier's, certified and teller's checks that are payable to you, and (d) Federal Reserve Bank checks, Federal Home Loan Bank checks and postal money orders, if these items are payable to you If you do not make your deposit in person to one of our employees (for example, if you mail the deposit), funds from these deposits will be available on the second business day after the day of your deposit

Local Checks The delay for check deposits other than those indicated above depends on if the check is a local check To determine if a check is a local check, look at the routing number on the check If the first four digits of the routing number are listed below, then the check is a local check

0110, 0111, 0112, 0113, 0114, 0115, 0116, 0117, 0118, 0119, 0210, 0211, 0212, 0213, 0214, 0215, 0216, 0219, 0220, 0223, 0260, 0280, 0310, 0311, 0312, 0313, 0319, 0360, 0410, 0412, 0420, 0421, 0422, 0423, 0430, 0432, 0433, 0434, 0440, 0441, 0442, 0510, 0514, 0515, 0519, 0520, 0521, 0522, 0530, 0531, 0532, 0539, 0540, 0550, 0560, 0570, 0610, 0611, 0612, 0613, 0620, 0621, 0622, 0630, 0631, 0632, 0640, 0641, 0642, 0650, 0651, 0652, 0653, 0654, 0655, 0660, 0670, 0710, 0711, 0712, 0719, 0720, 0724, 0730, 0739, 0740, 0749, 0750, 0759, 0810, 0812, 0813, 0815, 0819, 0820, 0829, 0830, 0839, 0840, 0841, 0842, 0843, 0863, 0865, 0910, 0911, 0912, 0913, 0914, 0915, 0918, 0919, 0920, 0921, 0929, 0960, 1010, 1011, 1012, 1019, 1020, 1021, 1022, 1023, 1030, 1031, 1039, 1040, 1041, 1049, 1070, 1110, 1111, 1113, 1119, 1120, 1122, 1123, 1130, 1131, 1140, 1149, 1163, 1210, 1211, 1212, 1213, 1220, 1221, 1222, 1223, 1224, 1230, 1231, 1232, 1233, 1240, 1241, 1242, 1243, 1250, 1251, 1252, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2219, 2220, 2223, 2260, 2280, 2310, 2311, 2312, 2313, 2319, 2360, 2410, 2412, 2420, 2421, 2422, 2423, 2430, 2432, 2433, 2434, 2440, 2441, 2442, 2510, 2514, 2515, 2519, 2520, 2521, 2522, 2530, 2531, 2532, 2539, 2540, 2550, 2560, 2570, 2610, 2611, 2612, 2613, 2620, 2621, 2622, 2630, 2631, 2632, 2640, 2641, 2642, 2650, 2651, 2652, 2653, 2654, 2655, 2660, 2670, 2710, 2711, 2712, 2719, 2720, 2724, 2730, 2739, 2740, 2749, 2750, 2759, 2810, 2812, 2813, 2815, 2819, 2820, 2829, 2830, 2839, 2840, 2841, 2842, 2843, 2863, 2865, 2910, 2911, 2912, 2913, 2914, 2915, 2918, 2919, 2920, 2921, 2929, 2960, 3010, 3011, 3012, 3019, 3020, 3021, 3022, 3023, 3030, 3031, 3039, 3040, 3041, 3049, 3070, 3110, 3111, 3113, 3119, 3120, 3122, 3123, 3130, 3131, 3140, 3149, 3163, 3210, 3211, 3212, 3213, 3220, 3221, 3222, 3223, 3224, 3230, 3231, 3232, 3233, 3240, 3241, 3242, 3243, 3250, 3251, 3252

Some checks are marked "payable through" and have a four-or nine-digit number nearby For these checks, use the four-digit number (or the first four digits of the nine-digit number) not the routing number on the bottom of the check, to determine if these checks are local

The first $100 00 from a deposit of local checks will be available on the first business day after the banking day of deposit The remaining funds will be available on the second business day after the day of your deposit

For example, if you deposit a local check of $700 00 on a Monday, $100 00 of the deposit is available on Tuesday The remaining $600 00 is available on Wednesday

HOLDS ON OTHER FUNDS FOR CHECK CASHING
If we cash a check for you that is drawn on another financial institution, we may withhold the availability of a corresponding amount of funds that are already in your account Those funds will be available a the time funds from the check we cashed would have been available if you had deposited it

HOLDS ON OTHER FUNDS IN ANOTHER ACCOUNT
If we accept for deposit a check that is drawn on another financial institution, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited

LONGER DELAYS MAY APPLY

Funds you deposit by check may be delayed for a longer period under the following circumstances (a) if we believe a check you deposit will not be paid, (b) if you deposit checks totaling more than $5,000 on any one day, (c) if you redeposit a check that has been returned unpaid (d) if you have overdrawn your account repeatedly in the last six months, or (e) if an emergency condition arises that would not enable us to make the funds available to you, such at the failure of computer or communications equipment

We will notify you if we delay your availability to withdraw funds for any of these reasons, and we will tell you when the funds will be available They will generally be available no later than the seventh business day after the day of your deposit

SPECIAL RULES FOR NEW ACCOUNTS
If you are a new customer, the following special rules will apply during the first 30 days your account is opened

Funds from electronic direct deposits to your account will be available on the day we receive the deposit Funds from deposits of cash, wire transfers, and the first $5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of deposit if the deposit meets certain conditions For example, the checks must be payable to you (and you may have to use a special deposit slip) The excess over $5,000 will be available on the ninth business day after the day of your deposit If your deposit of these checks (other than a U S Treasury check) is not made in person to one of our employees, the first $5,000 will not be available until the second business day after the day of deposit

Funds from all other check deposits will be available on the seventh business day after the day of your deposit

DEPOSITS AT AUTOMATED TELLER MACHINES

We only allow deposits to be made at ATMs that we own or operate All ATMs that we own or operate are identified as our machines

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SUBACCOUNT ORGANIZATION

We have organized your account in a nontraditional way Your account consists of two subaccounts One of these accounts is a transaction subaccount (e g , a checking subaccount) You will transact business on this subaccount The other is a nontransaction subaccount (e g , a savings account) You cannot directly access the nontransaction subaccount, but you agree that we may automatically, and without a specific request from you, initiate individual transfers of funds between subaccounts from time to time at no cost to you This account organization will not change the amount of federal deposit insurance available to you, your available balance, the information on your periodic statements, or the interest calculation, if this is an interest-bearing account You will not see any difference between the way your account operates and the way a traditionally organized account operates, but this organization makes us more efficient and helps to keep costs down

IMPORTANT INFORMATION ABOUT YOUR CHECKING
Substitute Checks and Your Rights

/hat is a substitute check?

To make check processing faster, federal law permits banks to replace original checks with "substitute checks " These checks are similar in size to original checks with a slightly reduced image of the front and back of the original check The front of a substitute check states "This is a legal copy of your check You can use it the same way you would use the original check " You may use a substitute check as proof of payment just like the original check

Some or all of the checks that you receive back from us may be substitute checks This notice describes rights you have when you receive substitute checks from us The rights in this notice do not apply to original checks or to electronic debits to your account However, you have rights under other law with respect to those transactions

What are my rights regarding substitute checks?

In certain cases, federal law provides a special procedure that allows you to request a refund for losses you suffer if a substitute check is posted to your account (for example, if you think that we withdrew the wrong amount from your account or that we withdrew money from your account more than once for the same check) The losses you may attempt to recover under this procedure may include the amount that was withdrawn from your account and fees that were charged as a result of the withdrawal (for example, bounced check fees)

The amount of your refund under this procedure is limited to the amount of your loss or the amount of the substitute check, whichever is less You also are entitled to interest on the amount of your refund if your account is an interest-bearing account If your loss exceeds the amount of the substitute check, you may be able to recover additional amounts under other law

If you use this procedure, you may receive up to $2,500 00 of your refund (plus interest if your account earns interest) within 10 business days after we received your claim and the remainder of your refund (plus interest if your account earns interest) not later than 45 calendar days after we received your claim

We may reverse the refund (including any interest on the refund) if we later are able to demonstrate that the substitute check was correctly posted to your account

How do I make a claim for a refund?

If you believe that you have suffered a loss relating to a substitute check that you received and that was posted to your account, please contact us at

Prosperity Bank
1301 N Mechanic St
El Campo, TX 77437-2633
(979)578-8181

You must contact us within 40 calendar days of the date that we mailed (or otherwise delivered by a means to which you agreed) the substitute check in question or the account statement showing that the substitute check was posted to your account, whichever is later We will extend this time period if you were not able to make a timely claim because of extraordinary circumstances

Your claim must include —

- A description of why you have suffered a loss (for example, you think the amount withdrawn was incorrect),
- An estimate of the amount of your loss,
- An explanation of why the substitute check you received is insufficient to confirm that you suffered a loss, and
- A copy of the substitute check or the following information to help us identify the substitute check For example, the check number, the name of the person to whom you wrote the check, and the amount of the check is required in addition to or instead of the substitute check

PROSPERITY BANK®

Remote Deposit Capture Program Policy

Remote Deposit Capture Table of Contents

CUSTOMER REMOTE DEPOSIT POLICY

Statement:

In general, the Bank's Remote Deposit Capture Program enables business customers to make check deposits without going to the Bank by providing an electronic check conversion service These customers are able to make deposits at their convenience via a PC and scanning device This process enables the customer to scan and tally check deposits from their business location(s) Once the checks are scanned, electronic images of the checks are transmitted to the Bank's third party provider or directly to the Bank for processing, then the Bank will retrieve deposits after designated cutoff time, process electronic items, send to the Core Processor which credits the deposit to the customer's account and processes any on-us items

The Bank may elect to allow customers to scan checks and other negotiable instruments using approved systems/products to be submitted electronically for deposit This service will benefit both the bank and the customers by providing an efficient and convenient way to extend deposit services to customers without the need for a physical branch or staff However, due to the ability for the customer to create fraudulent or non-negotiable items, there will need to be due diligence to review both the customer's creditworthiness and the incoming submissions Failure to monitor the customer and deposits could have a negative impact on the bank

Policy:

The Bank will implement procedures to review customers and their deposits that are allowed to use the Customer Remote Deposit service The review process may be conducted in a manner that best suits the management of the bank

This policy is to ensure the Bank's Remote Deposit Capture Program runs efficiently to

- Successfully maintain the necessary cost controls,
- Effectively manage the accompanying transactions and credit risks,
- Implement the necessary resources devoted to the oversight and periodic due diligence reviews of third party organizations, and
- Safely engage in all remote deposit processing activities, including managing high deposit amounts and check volumes, including high risk customers

The Bank's Remote Deposit Capture Program also enhances the overall collection and return of checks deposited drawn on U S financial institutions by the Bank under the Check 21 Act (see below)

Adherence to Expedited Funds Availability Act and Check 21 Act Compliance

It is the intent and policy of the bank to comply with all requirements of Regulation CC - "Expedited Funds Availability Act", its Subparts B, C and D (Subpart D implements the Check Clearing for the 21st Century Act (Check 21 Act)

In a general summary, Regulation CC requires banks to make funds available to their customers within specified time frames, disclose funds availability policies to customers, and expedite the return of unpaid checks To facilitate check truncation and electronic check exchange, the Check 21 Act authorizes a new negotiable instrument called a "substitute check" A substitute check is a paper reproduction of the original check that contains an image of the front and back of the original check and can be processed just like the original check The Check 21 Act provides that a properly prepared substitute check is the legal equivalent of the original check for all purposes The Check 21 Act does not require any bank to create substitute checks or to accept checks electronically The Check 21 Act includes new warranties, an indemnity, and expedited recredit procedures that protect substitute check recipients

Funds Availability Although the Bank may provide customers next day availability, the question of availability becomes an issue when the Bank invokes a case by case hold or invokes an exception hold The hold period is based on whether the item that is deposited is a local or non-local item If the depositary bank and the drawee bank are located in the same Federal Reserve processing region, the item is a local item If the depositary bank and the drawee bank are located in different Federal Reserve processing regions, the item is considered a non-local item With the customer scanning a check for deposit, the issue is determining the definition of where the deposit is being made Section 229 19 of Regulation CC establishes when deposits are received by a bank Under that section the determination as to when the deposit is received is based on the location of the staffed facility, ATM, or contractual branch at which the funds are deposited In the case of a remote deposit, the funds are not deposited at any of the locations described in the regulation Therefore, since the funds are not deposited at a location specified in Regulation CC, the images of the remotely captured checks are not subject to the availability requirements of Regulation CC The issue of availability and the period of time for which funds may be held must be resolved by agreement between the parties

Local versus Non-Local for Return Item Time Frames Under Regulation CC, a determination is made of whether an item that was deposited via remote deposit is a local or non-local item for purposes of return item timeframes If the image of the item is used to create a substitute check, the depositary bank would be identified on the substitute check in the same manner as the depositary bank of an original item If the image of the item is presented pursuant to an image exchange agreement, the depositary bank would be identified in the image file Under either scenario, the location of the customer and the location of the place to which the image is transmitted are immaterial The determination as to whether the item is to be returned as a local or non-local item would be made based on the depositary bank identified on the substitute check or in the image file

The remote capture of deposits eliminates state boundaries A bank could have one location in a state and receive image transmissions from customers in any of the other states On the other hand, a bank could have physical locations in all states but receive image transmissions in only one state The issue here becomes one of jurisdiction and the application of state law As to the application of state law for the purpose of agreements and the state version of the Uniform Commercial Code, the Bank's agreement with the customer establishes the controlling law As to whether having a customer within a state that transmits an image file to the Bank would subject the Bank to that state's jurisdiction is a question of local law

Please refer to The bank's **REGULATION CC POLICY** for detailed guidance

Adherence to Customer Identification and Anti-Money Laundering Regulations

It is the policy of the Bank that all Remote Deposit Service customers are properly identified and their transactions monitored to ensure strict compliance with related provisions of the Bank Secrecy Act, USA Patriot Act, and Office of Foreign Assets Control

In accordance with BSA regulations, the Bank must obtain appropriate customer identification and conduct a risk assessment on customers requesting services under the Remote Deposit Capture Program Customers deemed eligible for this service are required to complete and sign agreements and other related documentation prior to service commencement Customers who do not meet the Bank's eligibility requirements require approval from a member of Executive Management prior to having other documentation completed as previously mentioned

Please refer to the Bank's **BANK SECRECY ACT POLICY** for detailed guidance

Adherence to National Automated Clearing House Compliance

In the event that the Bank deploys a "least cost routing" settlement process which allows items to be transmitted and settled either through the check collection system or as an ACH transaction It is the policy of the Bank to comply with all requirements of the National Automated Clearing House (NACHA) NACHA was formed to establish a national set of standards, rules and procedures governing ACH payments The Bank's Remote Deposit Service was designed to operate and be in full NACHA compliance However, many NACHA stipulations are the responsibility of the remote deposit customer as the originator of ACH transactions As such, the Bank's Remote Deposit Services User Guide provides a summary of the customer's responsibilities to be in full compliance with NACHA Operating Rules

Please refer to The bank's **ACH POLICY** for detailed guidance

Adherence to the McFadden Act

Regulation CC establishes where a deposit is made if a check is deposited at a physical location of the Bank However, the regulation does not state as to where a deposit is made when the deposit is delivered via a transmission of an image of the original check Under the McFadden Act, a "branch" is a location established by a national bank at which deposits are received, checks paid, or money lent

According to regulatory guidelines, a customer's place of business is not considered a branch of the Bank, even though the Bank is taking a deposit because this activity is excluded from the definition of branch The definition of a branch excludes Automated Teller Machines (ATM), Automated Loan Machines (ALM) and Remote Service Units (RSU) A RSU is defined as an automated facility, operated by a customer of a bank that conducts banking functions, such as receiving deposits A RSU includes an ATM, ALM, and an automated device for receiving deposits A RSU is not a 'branch' and is not subject to state geographic or operational restrictions or licensing laws The scanning device operated by a customer meets the definition of a RSU and is not a branch whether the scanner is owned by the Bank or the customer

ENFORCEMENT

Changes to this policy require approval by the Executive Management and annual approval by the Board of Directors of the Bank Changes in operating procedures, standards, guidelines and technologies, provided they are consistent with this policy, may be authorized by the Back Room Operations Officer

The Board of Directors has the authority to approve this policy, and annually approves it thereafter Executive Management is responsible for ensuring the directives are implemented and administered in compliance with the approved policy

The primary responsibility for enforcement of this policy and its operating procedures rests with the Back Room Operations Officer and our employees

No part of this policy or its supporting operating procedures should be interpreted as contravening or superseding any other legal and regulatory requirements placed upon the Bank Protective measures should not impede other legally mandated processes such as records retention or subpoenas Any conflicts should be submitted immediately to the Operation Officer for further evaluation and/or subsequent submission to the Bank's legal counsel

Exceptions to Policy

Requests for exceptions to this policy must be very specific and may only be granted on specific items, rather than to entire sections Bank personnel with exceptions are to communicate their requests by submitting an internal memorandum to the Loan Concurrence Committee for consideration by Executive Management

RISK MANAGMENT

Risk Assessment

Areas of risk to consider with this service are

- Creditworthiness of the customer
- Potential fraud threat represented by the customer
- Deposit limits and review and approval procedures
- Transmission security of the deposits
- Confidentiality of information
- Regulatory Compliance

General

The Bank has identified the following risks that are most often associated with remote deposit activities and are included as part of the Bank's overall Risk Management Program

1 Strategic Risk It is the policy of the Bank to ensure its remote deposit processing activities are consistent with the Bank's overall business plan and strategic direction Therefore, the Bank has determined that it is in its best interest to undertake remote deposit processing and to maintain or expand its remote deposit processing business as appropriate In addition, it is the responsibility of Executive Management to

A Be fully aware of the Risks involved,

B Identify the expertise and controls that will be required to manage them,

C Determine how well the Bank can keep pace with technology and competition,

D Determine such matters as which industries to pursue and how much to use third party organizations

As such, Executive Management has identified the following key considerations in an effort to effectively evaluate the Bank's strategic risk mitigation process

A The current business environment to determine whether the line of business can be managed safely and profitably,

B The need for a highly specialized and reliable infrastructure, including the necessary resources to effectively manage risk (such as management experience, staffing, systems, reporting, etc) to enable the Bank to monitor activities knowledgeably and effectively,

C The potential impact of the activity on earnings and capital, including the implications for capital of off balance sheet risk,

D The liability for fraud and forgery losses from high check volume and higher risk customers,

E The risk and reward analysis of whether the Bank can generate adequate sales without taking unacceptable risks, and

F Reputation risks involved in remote deposit processing, including those risks associated with contractual obligations to customers and third parties, in addition to the outsourcing of any part of remote deposit processing Decisions made by the Bank or by third parties acting on the Bank's behalf can directly cause loss of customer relationships, litigation, fines and penalties, and losses

2 **Credit Risk** Credit risk arising from remote deposit processing fraud and forgeries is a significant risk to the Bank's earnings and capital Although processing remote deposits is not an extension of credit, the Bank is relying on the creditworthiness of the remote deposit customer

Returned checks for reasons of fraud or forgery become a credit exposure to the Bank when either a customer declares bankruptcy or is otherwise financially unable to pay If a remote deposit customer cannot honor its returns, the Bank must pay the drawee bank

3 **Transaction Risk** The Bank is faced with transaction risk on a daily basis as it processes remote deposit transactions for its customers Transaction risk may arise from the Bank's failure to process a transaction properly, inadequate controls, employee error or malfeasance, a breakdown in the Bank's computer system, natural catastrophe, etc

A failure anywhere in the transaction process can result in risks to the Bank's earnings and capital such as

A Failure to monitor the remote deposit process by the Bank can result in significant operational and credit problems These include possible

- Duplicate Deposits and/or Items The electronic transmission of deposits creates the opportunity for the same check or checks to be deposited multiple times A customer may transmit an image of a check to the Bank and then deposit the original check at a branch office of the Bank or at a different bank Such activity could be an honest mistake or it could be an intentional act by the customer The deposits could be made the same day, or the customer could hold the original check and deposit it at a later date

The scanning software includes a cross reference to prevent a check from being scanned more than one time

- Forged Endorsements Unlike traditional forgery detection procedures to check for endorsements on checks before deposits are made at the teller window, the risk of forged endorsements from remote deposits poses unique risks Given the potential number of images that will be scanned and transmitted, it is not likely that the Bank will be able to detect a missing or forged endorsement on the images of checks The scanning software includes a feature to endorse the checks as they are scanned by the physical device

- Alterations Receipt of an image of a check instead of the original check may increase the Bank's exposure to loss from alterations While the Bank may already experience this type of loss, it would appear that the potential for loss will be increased with respect to those processed through remote deposit Alterations are often difficult to detect on original items because of the advanced techniques used by criminals Detection of alterations on a black and white image of an item will be even more difficult to detect by Bank personnel Discoloration and erasures will not be as apparent on an image

- Counterfeit Items The potential for fraud loss may also be increased because of counterfeit items As in the case of alterations, the advances in technology have made detection of counterfeit original checks difficult A criminal can produce a counterfeit that exactly duplicates an original check An image of a counterfeit check will likewise be almost impossible to detect The Bank will not have the ability to examine the texture of the check, discoloration, watermarks, borders, heat sensors, and other physical fraud detection features

  The potential for loss may have an impact on the Bank and the drawee A counterfeit check is not a properly payable item but it is an item under the UCC and must be returned by the drawee by its midnight deadline If the drawee fails to return the check by the midnight deadline, the drawee becomes accountable for the amount of the item After the expiration of the midnight deadline, which is midnight of the next banking day after the day on which the item is presented, the drawee bank loses its right to charge the item back Therefore, if the drawee pays the counterfeit check, it may not return the item and the drawee sustains the loss

  On the other hand, if the drawee sustains a loss because a substitute check was presented for payment instead of the original check, the drawee may have a claim under the indemnity provision of Check 21 In the above example, if the drawee can show that it would have detected the counterfeit item if the original check had been presented because of the physical fraud detection features on the original check, then the drawee would have an indemnity claim

- Changing the Payee Disputes and subsequent losses incurred as the result of changing the payee on checks is a risk to the Bank As an example, a valid check is issued by a drawer to a payee and, in most cases, is mailed to the payee The check is intercepted and the payee is changed either by alteration of the payee on the original check or by counterfeiting the check with all of the information the same as the original check except for the payee Upon discovery of the fraud, the drawer makes a claim to the drawee that, in turn, makes a claim back upstream to the Bank The drawee bank claims that the Bank breached its transfer and presentment warranty because the payee on the check has been altered The Bank refuses to pay claiming that the check was not altered and is a counterfeit check that must be returned by the Bank's midnight deadline If the check were captured remotely, the original check will have been destroyed by the time the fraud is discovered making it virtually impossible to determine if the item was altered or was a counterfeit

The outcome of this type of fraud may very well be determined by whether the payee was changed on the original check or by counterfeiting the check If the payee was changed on the original check, the drawee bank would have a valid claim against the Bank based on breach of warranty The Uniform Commercial Code provides that the depositary bank warrants that the item does not contain an alteration If the original check was replaced with a counterfeit check, the depositary bank may have a valid claim that the check must be returned by the drawee bank's midnight deadline Therefore, the question of alteration versus counterfeit is a significant issue that is more difficult after the original check is destroyed

- Original Check Retention The concept behind remote deposit is that the customer scans the checks, transmits an image of the check to the Bank and retains the original check The fact that the customer retains the original check creates the opportunity for fraud to occur One issue is that an employee or some other person could use the information on the check to commit identity theft At a minimum, the check will contain the drawer's name, address, phone number, bank information including the customer's account number, and the check may contain a driver's license or some other form of identification

  Another issue associated with the retention of the check by the customer is the potential of customer fraud or fraud by the customer's employee As long as the customer has possession of the original check, the customer could (unintentionally or intentionally) deposit the original check in addition to remotely depositing an image of the check If the checks are not securely maintained with proper security procedures, employees of the customer or other third parties could steal the checks and cash or deposit them The potential for this type of fraud is significantly higher than it is prior to implementing remote deposit Prior to remote deposit of items, customers have experienced employee fraud when employees take checks payable to the customer and cash or deposit them The employee takes the check even though the employer may miss the payment After the implementation of remote deposit, the employer will receive credit for the payment when the image of the check is deposited with the employer's bank In summary, the temptation of fraud will be elevated and the fear of getting caught will not be as great when the employee knows that the employer will not miss the money

B Failure to provide adequate staffing for remote deposit processing and fraud monitoring can result in preventable operational and credit losses that occur because of high workloads,

C Failure to monitor daily transactions can result in substantial operational losses from fraudulent activity, D Failure or inability to provide timely transmission of funds to customers, financial institutions or third parties can result in operational losses, reputation and liquidity risk,

E Failure to monitor the service quality and fulfillment (e g , check and deposit processing, fraud monitoring, customer service, ACH file creation, etc) provided by third party organizations can result in operational and credit losses, fines and a negative reputation, and

F Failure to monitor and compare initial remote deposit activity and pricing with actual customer activity and pricing can result in unprofitable operations

Risk Mitigation Strategies

The Bank has implemented a comprehensive risk mitigation process for its Remote Deposit Capture Program that includes the following elements

1 A system for the initial and ongoing approval of remote deposit customers to monitor their credit quality and guard against fraud,

2 A sound and comprehensive legally binding agreement between the Bank and the remote deposit customer that protects the interests of the Bank,

3 Acquisition of technology that provides safeguards and controls to prevent or, at minimum, provide earlier detection of suspicious or fraudulent activity,

4 A sound internal control environment, including but not limited to

A Remote deposit system software that allows the Bank to detect duplicate deposits or items, even if the transactions occur weeks apart In addition, this software also incorporates duplicate detection safeguards used by a customer to capture the checks, to deter fraud, and prevent an accidental deposit of the same item multiple times,

B The Bank's deposit receiving platform and host system is capable of identifying duplicate items Deposited items suspected to be duplicates are flagged for review by the Bank at the earliest feasible point in the process,

C While the customer warrants the authenticity of endorsements and that the customer has good title to the instrument, the depositing customer may not know that the original endorsement has been forged Because of the exposure, the Bank does not allow a customer to deposit a third party check,

D Ensuring the customer has possession of original checks, and that the customer maintains the original checks in a secure manner to minimize the risk of fraudulent activity

5 Independent audit culture,

6 Remote Deposit Services Department personnel are adequately staffed and have sufficient knowledge and skills necessary to appropriately support the function for the Bank, and

7 Risk measurement systems are in place to operate, monitor and control the Bank's remote deposit activities effectively

8 A risk evaluation form is included with the Remote Deposit contract that should be completed and signed/initialed by a credit officer approving the risk (deposit) levels associated with the customer's activity

STRUCTURE OF ACCOUNTABILITY

Board of Directors and Executive Management

The Board of Directors has the ultimate responsibility to ensure the proper management of the Bank's Remote Deposit Capture Program To this end, the Board of Directors has charged Executive Management with the responsibility to determine the necessary course of action to ensure effective promotion of this service to qualified business customers and adherence to appropriate laws and regulations in an effective and consistent manner for the entire organization

Specifically, the Board of Directors is responsible for

1 Ensuring the quality of the Bank's Remote Deposit Capture Program,
2 Maintaining a working knowledge of the Bank's Remote Deposit Capture Program, and
3 Reviewing for formal adoption the written policies and procedural guidelines necessary to ensure an effective plan and adherence with applicable compliance laws and regulations

Remote Deposit Back Room Operations Officer

The bank's Back Room Operations Officer shall supervise the Bank's Remote Deposit Capture Program This individual reports directly to the Chief Operating Officer The Back Room Operations Officer is to make a written report to the Board of Directors on an annual basis regarding the status of the activities and results with respect to the Bank's Remote Deposit Capture Program

Specifically, in the respect to the Remote Deposit Capture program, the Operation's Officer is responsible for

1 Direct supervision and the coordination of all Remote Deposit Service activities

2 Establishing, maintaining, preparing, promoting, and measuring the effectiveness of this policy and its related standards and procedures,

3 Annually reporting the status of the Bank's Remote Deposit Capture Program to the Board of Directors and periodically reporting the status to the Operations Committee,

4 Developing, implementing and maintaining any related Bank policies and procedures to ensure compliance with the Bank's Remote Deposit Capture Program requirements,

5 Studying, analyzing, and conducting market research on quality of service, customer attitudes, economic conditions and government controls with respect to their effect on sales of existing or proposed remote deposit products or services,

6 Participating in the Remote Deposit Services product development, pricing and service standard process,

7 Conducting sales, service, product knowledge and orientation training of Bank personnel,

8 Ensuring compliance with all related laws and regulations, and

9 Supporting an independent audit of the Bank's Remote Deposit Capture Program

Reporting

It is the responsibility of the Back Room Operations Officer to provide at a minimum the following reports to the Operations Committee on an annual basis regarding the status of the Remote Deposit Services Program to effectively gauge the program's risk to the Bank

1 New account acquisitions,

2 Account attrition,

3 Portfolio composition,

4 Dollar amounts of deposits,

5 Check volumes,

6 Returned item, fraud and forgery volumes, and

7 Department profitability

<u>Customer Underwriting and Review</u>

Executive Management has implemented underwriting and approval procedures for its Remote Deposit Capture Program to control credit risk This policy designates

1 The types of customers the Bank is willing to conduct business with in addition to the criteria for selecting remote deposit customers (e g , time in business, location, deposit and check amounts, etc),

2 What information each application should contain, such as type of business, location, and social security number or tax identification number, and

3 Procedures and schedules for the periodic reviews of the financial status of the Bank's existing remote deposit customer base

In addition, the Bank's Remote Deposit Capture Agreement discloses all fees, defines what the customer will be required to do to process the checks and deposits, storage of the checks, requires notification of ownership changes or substantive marketing and product changes, and provides additional regulatory and legal requirements to mitigate risks against the Bank

<u>Remote Deposit Processing Controls</u>

The Bank, as part of its overall Risk Management Program, has conducted a risk assessment of its payment systems which includes assessing the risk from remote deposit processing activities This payment systems risk assessment helps Executive Management to

1 Understand the risks to the Bank,

2 Establish this policy and other related policies, procedures and controls appropriate to these risks, and

3 Develop an audit process to review compliance with policy (refer to the Audit Policy topic of the policy for detailed guidance)

It is the policy of the Bank that all third parties involved in the remote deposit processing process

1 Sign written agreements with the Bank (reviewed by the Bank's legal counsel) including, but not limited to, detailed responsibilities, processing arrangements and schedules, and contingency plans,

2 Have the vendor's relationship monitored by all the requirements covered within the Bank's Vendor Management Policy, and

3 Properly monitor to include, but not limited to, quality assurance, audits, onsite visits, performance reporting, and financial monitoring

Vendor Management Oversight

1 Due Diligence It is the policy of the Bank to conduct proper due diligence techniques with each vendor providing remote deposit services for the Bank The financial capacity of the vendor and its principles is to be analyzed to verify the organization's viability and capacity to absorb losses initially and on a periodic basis In addition, the Bank may require a cash deposit from the vendor to support a contractual arrangement

2 Contracts It is the policy of the Bank to require a written contract between the Bank and the vendor The written contract (reviewed by the Bank's legal counsel) is to clearly set out at minimum

   A The responsibilities of each party,

   B Compensation and liability arrangements,

   C Accessibility to procedural and technical audits,

   D Allowable uses of the Bank's name, and

   E Reasons the contract can be terminated

3 Onsite Inspections and Audits If it is deemed necessary for an onsite inspection it is the responsibility of the Back Room Operations Officer to conduct onsite inspections The Back Room Operations officer is responsible for annually reviewing audits of a third party organization Audit reports are to be generated and the third party's management is required to respond to any identified issues in the audit report If the third party is required to have specialized audits (e g , audits according to Statement of Auditing Standards No 70) or if it elects to have such

1. What is the fee schedule for Remote Deposit Capture?

Fees	
Implementation fee	$200 00 setup for the first workstation
Additional Workstations	$100 00 setup per workstation
Monthly maintenance fee	$50 00 per workstation with scanner
Image capture	$0 10 per image presented
Plus cost of Scanner	

2. Where do we get scanners from and what is the cost?

While there are many certified scanners with the product, our partner TASQ list four scanners under our branded website page They are

Digitial TellerScan CheXpress CX30 $345 00
Features – Single Feed for lower volume applications with printer
Digitial TellerScan 230-35 IJ $635 00
Features – Batch scanner with a 50 capacity hopper feeding at a rate of 35 documents per minute with printer
Digitial TellerScan 230-65 IJ $735.00
Features – Batch scanner with a 50 capacity hopper with ability to feed hopper while scanning at a rate of 65 documents per minute with printer
Digital TellerScan 230-100 IJ $930 00
Features – Batch scanner with a 50 capacity hopper with ability to feed hopper while scanning at a rate of 100 documents per minute with printer

Note: All prices subject to change without notice.

** Scanners can be ordered via the web at
www shopmerchantsupplies.com/sf8/CustSignIn.aspx?m=ProsperityBankGrp1&g=ProsperityBankAxces1&c=11995&r="Prosperity Bank"

For first time users they will need to create an account to proceed. If they are returning they can sign in using the Sign In portion on the portal

This process requires the customer to deal with the payment of the scanner via credit card
** The Banking Center can order via the Sendpoint Merchant Capture Request Form. This process will have the bank billed for the scanner and once the invoice is received, the Banking Center will collect the funds from the customer either by check or a debit to the customer's account

3. Are there any additional set up fee(s) or monthly base fee(s) for each user?

There is not a per user fee. We are charged per scanner setup on the system and the number of items processed

4. Can we terminate without notice at any time?

Per our contract this is covered under item #16 where it states the bank may terminate this process at any time. The customer should give 30 days written notice before they terminate

5. What is the cutoff time to receive same day credit?

6·00 pm.

6. Does the customer have to be on internet banking or cash management?

No, the customer does not have to be an internet banking customer or on the cash management system

7. How does Regulation CC apply?

Normal Regulation CC rules can apply following procedures but you must mail or deliver the notice to the customer not later than the first business day after the bank day on which the deposit is made. Therefore, this would imply that if you are reviewing transaction sets the first business day after the deposit the notice must go out on that day.

8. What is an IRD, Image Replacement Document or a substitute check?

These terms all mean that a paper reproduction of an original check that contains an image of the front and back of the original check, is suitable for automated processing in the same manner as the original check and meets other technical requirements set out in the Check Clearing for the 21st Century Act, 12 USC §§ 5001-5018 and the regulations relating to the Act.

9. How does the customer get the software for Remote Capture?

The customer will get the software when Metavante/FIS walks the customer through the installation process

10. Can the customer be a 'dba' account?

Yes, the risk analysis portion of the process will govern the customer's viability of the product

11. How long does it take to get a customer setup on the program?

The average setup time should be between two and three weeks It depends on the time it takes to complete the paperwork

12. Who does the customer contact for issues?

The customer should contact their local Banking Center

Merchant Capture Hardware Pricing

*Note - Staging, sales tax, shipping & enhanced fulfillment fees are additional

Scanner (make & model)	Description	Price
Canon CR-25	25 DPM – 50 Doc Batch Feed w/ inkjet *need to order ink separate*	$ 630 00
Canon CR-55	55 DPM – 50 Doc Batch Feed w/ inkjet *need to order ink separate*	$ 805 00
Canon CR-180II	180 DPM – Batch Feed, 2 pocket *need to order ink separate*	$ 2,925 00
Digital Check CX 30-IJ	CheXpress – 30 DPM – Single Feed w/ Inkjet (comes with ink)	$ 345 00
Digital Check TS215-IJE	TellerScan – 30 DPM – Single Feed w/ Inkjet (comes with ink)	$ 455 00
Digital Check TS240-50	TellerScan – 50 DPM – 100 Doc Batch Feed w/ Inkjet (comes with ink)	$ 635 00
Digital Check TS240-75	TellerScan – 75 DPM – 100 Doc Batch Feed w/ Inkjet (comes with ink)	$ 740 00
Digital Check TS240-100	TellerScan – 100 DPM – 100 Doc Batch Feed w/ Inkjet (comes with ink)	$ 945 00
Digital Check TS4120	TellerScan – 120 DPM – 100 Doc Batch Feed - 2 Pocket Outfeed w/ Inkjet	$ 1,490 00
Panini VisionX - VX 1 1F IJ	VisionX – 50 DPM – Single Feed w/ Inkjet	$ 490 00
Panini VX RDC	VisionX – 15 DPM, 25 Doc Feed, Ink Jet	$ 535 00
Panini VisionX - VX50 1 SF IJ	VisionX – 50 DPM – 50 Doc Batch Feed w/ Inkjet	$ 760 00
Panini VisionX - VX50 1 FF IJ	VisionX – 50 DPM – 100 Doc Batch Feed w/ Inkjet	$ 880 00
Panini VisionX - VX75 1 SF IJ	VisionX – 75 DPM – 50 Doc Batch Feed w/ Inkjet	$ 920 00
Panini VisionX - VX75 1 FF IJ	VisionX – 75 DPM – 100 Doc Batch Feed w/ Inkjet	$ 1,040 00
Panini VisionX - VX100 1 FF IJ	VisionX – 100 DPM – 100 Doc Batch Feed w/ Inkjet	$ 1,275 00

Updated as of 2/1/11

QNTY	Item #	Description	Amount Per
	6602A	Ink Cartridge	$15 00
	75-2094-904	Alcohol Foam-tipped Cleaning Swab (25/Box)	$23.00
	BSM46CC	Alcohol Cleaning Card (25/Box)	$26 00
	523406	Lint Free Cleaning Cloth (50/Pkg)	$16.00

PROSPERITY B.

Positive Pay Overview

Overview

The Prosperity Bank Positive Pay Product was designed to assist our commercial companies in identifying fraudulent or unauthorized checks drawn on their accounts. The company will transmit a file to the Bank (or agent) that contains the account number, check number, date issued, amount of the check issued, a processing code, and the payee This record will be used to verify any check(s) that are processed daily.

Transmittal of Positive Pay Files

The Company is responsible for the delivery of the data file via the Internet banking Positive Pay services to Prosperity Bank. See attached Exhibit A for file layout details.

Data files received by 3 00 p m each banking day will be used to verify any check posting to the account that day except for items cashed by a teller at the Bank. Although a teller-cashed item will appear on the Company's exception report the next morning, the item(s) will be posted to the Company's account

Daily Update/Exception Review

After the file is processed, each check that is presented for posting in the update will be compared to the Positive Pay records If there is a match on both the check number and the amount, the check will be processed and the record cleared If there is not match, the check is considered unmatched.

The Company must review the Positive Pay Exceptions section within Internet Banking daily and the items are available beginning at 8:00 a m Any items, which the Company desires to be returned, must be processed by the Company in Internet banking by 11 00 a.m the same banking day If the Company fails to work unmatched items in Internet banking, the default decision is to pay the item.

PROSPERITY BANK®

Exhibit A – Positive Pay File Layout

The followıng are specificatıons for the file submitted by the customer to the bank One space is requıred between each field. The fields do not need to be zero filled (but can be) There should be only one record per lıne

Field Name	Minimum Length	Maximum Length	Field Type	Format
Account Number	9	9999999999	Numerıc	
Check Number	9	999999	Numerıc	Cannot be zero
Date	999999	999999	Numerıc	MMDDYY
Amount	9.99	99999999 99	Decimal	
Processing Code	"X"	"X"	Alpha	"I", "R", "C", "V"
Payee	"X"	"32 characters"	Alpha	"", "ABC Corp"

Processing Code Values
I – Issued Item
C – Changed Item
R – Removed Item
V – Voıd

Below ıs an example of a file to be submitted for reconciliation.

```
1010 1541 041803 21.54 "I" "Anderson PL&Htg"
1010 1542 042503 25.00 "I" "Cook's Constructıon"
1010 1543 042503 199.21 "I" "PJ's Electrıc"
1010 1544 042503 10.46 "V" "Home Depot"
1010 1545 042203 98.53 "I" "Walmart"
1010 1546 042503 100 00 "I" "Hyvee"
1010 1547 041403 55 23 "I" "PCS Natıonal Bank"
1010 1549 041403 9.56 "I" "Gas Stop"
1010 1550 042203 164 88 "I" "I.R S."
1010 1551 042203 49.22 "I" "Mınerva's"
1010 1552 051003 34.25 "I" Red Lobster"
1010 1553 051403 5.00 "I" "Gırl Scouts"
1010 1554 051503 123.65 "C" "Target"
```

Once created, the file must be named RCNxxxxxxxxxx DAT (where xxxxxxxxxx ıs the account number) Example RCN12345 DAT or RCN98765432 DAT The RCN and DAT must be uppercase.

PROSPERITY BANK

PREAUTHORIZED TRANSFER OF ELECTRONIC DEBITS AND/OR CREDITS AGREEMENT

This Agreement is entered into this ________day of ________________, 20____by and between ______________________________(hereinafter called the (COMPANY) and Prosperity Bank, P O Drawer G, El Campo, Texas 77437(hereinafter called the Bank)

WITNESSETH

WHEREAS, the Company is a ____________________________authorized to do business in the State of Texas, and

WHEREAS, the Company has requested the Bank to permit it to initiate or arrange for the initiation of electronic debit and/or credit entries to be processed by and through the Bank, and

WHEREAS, the Bank is willing to accommodate the Company by processing for ultimate delivery to other participant banks and financial institutions the electronic entries by means of its correspondent banks, the Southwestern Automated Clearing House Association (SWACHA) and/or the National Automated Clearing House Association (NACHA) to the accounts of the Company's employees or customers (hereinafter together called the "Customer(s)", unless otherwise indicated, at such participant financial institution, and

WHEREAS, the Bank is willing to process and transmit the Company's electronic debit and/or credit entries subject to the following terms and conditions

NOW, THEREFORE, in consideration of the mutual premises contained herein, the Company and the Bank agree as follows

1 The Company will prepare and submit all electronic entries to the Bank in accordance with the agreed upon specifications and schedules The company will be responsible for the correctness, both as to content and form, of all information submitted to the Bank If any information is not readable, out of balance, or unprocessable, it is the responsibility of the Company to correct and resubmit the information to the Bank
2. Except as otherwise provided in paragraphs (3) and (4), the Bank will transmit and process the electronic entries initiated by the Company in accordance with the rules of SWACHA and/or NACHA as are currently in effect and as amended from time to time (the "Rules") The Company agrees to be bound by and held subject to the Rules as well as the provisions contained in the Agreement A copy of the NACHA Rules will be given to the Company upon ACH/Cash Management setup The Bank agrees to inform the Company of any updates to the Rules
3. With respect to "on-us" electronic debit and/or credit entries, the relationship between the Bank and Company will be governed by the Rules and, to the extent applicable, the Bank agrees to assume all the rights and obligations of both an "Originating Bank" and a "Receiving Bank", and the Company agrees to assume the rights and obligations of a "Company", as all such terms are defined within the Rules The Company agrees to make the same warranties to the Bank, as the Bank would be required to make pursuant to the Rules were the Bank an "Originating Bank"
4. In the event that the operation rules of a local or regional automated clearing house, or the arrangements between the Bank and a correspondent bank, are more restrictive than, or are at variance with, the Rules, the Company agrees to be bound by such more restrictive or varying rules
5 The Company will maintain a demand deposit account (hereinafter called the "Company Account") with the Bank to which the Bank will credit amounts received in collection of electronic debit entries All such credits are provisional and the Bank may charge the Company Account, as well as any other account of the

Company with the Bank, for the amount of a returned or rejected electronic debit entry Company authorizes the Bank to debit the Company Account on the day the returned or rejected electronic debit entry is received by the Bank or thereafter Company warrants that it shall maintain a sufficient balance in the Company Account to cover returned or rejected electronic debit entries Company will pay to Bank the amount of any returned or rejected electronic debit entry which for any reason cannot, in part or in whole, be debited against the Company Account Bank may require Company to maintain a minimum balance sufficient to cover returned or rejected electronic entries

6. The Bank is not obligated to process any electronic credit entry unless the Company Account contains a balance in collected funds sufficient to pay all electronic credit entries submitted by the Company If the Bank should elect to process any electronic credit entry for which it has not received final settlement, the amount of the such entry, at the option of the Bank, shall therefore become immediately due and payable by the Company to the Bank, and the Bank shall have the right to charge the amount thereof to the Company Account or claim a refund from the Company

7 The Company will compensate and agrees to pay the Bank for providing the services indicated herein in accordance with the fee schedule These fees may be changed from time to time by the Bank upon written notice to the Company The Bank may charge the Company Account, as well as any other account of the Company with the Bank, for any such charges of fees

8 The Company will not initiate an electronic credit and/or debit entry with respect to any Customer until the Company has obtained the written authorization (hereinafter called the "Authorization") of such Customer to do so and, in the case of electronic debit entries, has complied with the further requirements of paragraph (11), hereunder The Authorization shall be in form acceptable to the Bank The Company will retain the original or a copy of the Authorization received by the Company as prescribed in the Rules The Company, upon the Bank's request, will furnish the Bank with original or a copy of the Authorization In addition, the Company agrees to notify the Bank at least 10 calendar days in advance of its initiation of an electronic debit entry or credit entry to the account of a customer for the first time Such notice shall contain the information prescribed in the Rules The Company agrees to strictly comply with the provisions of the paragraph, and the Company understands that the Bank will be relying upon such promise in order that the Bank may comply with federal and state laws and regulations in respect of electronic funds transfers

9 The Bank shall not generate advices of electronic debits and/or credits against accounts of Customers maintained with the Bank except to the extent it is required to do so In the event that the Company initiates credit entries representing the payment of salary or wages to the accounts of its employees, the Company agrees to furnish each employee with a detailed statement of earnings no later than the day said employee's account is due to be credited by the Bank

10 Should the Company wish to change the amount or date of billing of an electronic debit entry in respect of any Customer, it shall mail or deliver written notice to the Customer 10 days before such electronic debit entry, however, should the Company inform a Customer of his/her entries varying in amount, such Customer may elect to receive notice only when an electronic debit entry does not fall within a specified range of amounts (which shall in all respects be reasonable) or, alternatively, only when an electronic debit differs from the most resent amount by more than an agreed upon amount The Company agrees to comply strictly with the provisions of this paragraph, and the Company understands that the Bank will be relying upon such promise in order that the Bank may comply with federal and state laws and regulations in respect of electronic funds transfers

11 The Company represents and warrants to the Bank that, in cases of electronic debit entries

- each electronic entry initiated by the Company is for a sum due and owing the Company directly or as an authorized agent
- the Company has received a signed written agreement from the Customer, with a copy thereof given to the Customer, authorizing the Company to make prearranged debits from the Customer's account (hereinafter, as above, called the "Authorization"),
- each electronic entry initiated by the Company is in accordance with a valid Authorization held by the Company, and the Company has complied with the Rules with respect to same, including retention of the original or a copy of each Authorization,
- the Company agrees that it is solely responsible for and is complying with the laws of the United States and regulations governing the initiation of preauthorized electronic transactions, including but not limited to the Electronic Fund Transfer Act of 1978 and Federal Reserve Regulation E, in particular sections 205 10 (b) and (d), as currently in effect and as amended, and

- at the time an electronic entry is processed by the Bank and any receiving banks, the Authorization has not been terminated with respect to such electronic entry, provided, however, that this letter warranty shall not apply if, at the time of processing the electronic entry, the receiving bank has actual knowledge of a termination of the Authorization

12 The Company hereby agrees to indemnify and hold harmless the Bank against and in respect of any claim, demand, proceedings, losses, liabilities, expenses (including attorney's fees), and damages, including consequential, special, and punitive damages, to comply with (a) this agreement, including any breach of its warranties hereunder, (b) the Rules , and (c) any other agreement(s) between the Company and Customer

13. The Bank may transmit the electronic credit and/or debit by electronic communication or by such means the Bank deems appropriate to convey the Company entries Each entry or file shall be delivered to the Bank not later than 48 hours prior to the ACH receiving deadline of 10 00 A M The Bank shall not be liable for interruption of communication facilities, errors in transmission, suspension in payments by another financial institution, war, emergency conditions, or any similar or dissimilar causes beyond the reasonable control of the Bank

14 The obligations and responsibilities of the Bank shall be limited to those specified in this Agreement or Amendments thereof The Bank will not be obligated or responsible with respect to any act or failure to act by a correspondent bank, SWACHA, NACHA, a regional or local automated clearing house, or any other third party In no event shall the Bank be liable for any indirect, special, or consequential damages, even if the Bank is advised of the possibility of such damages,

15. Either party hereto shall have the right to terminate this Agreement, without cause, by giving the other party at least 10 days prior written notice provided, however, that this Agreement shall continue to be in full force and effect for all electronic entries initiated by the Company prior to the termination of the Agreement If the party to whom such notice is to be given agrees in writing, the notice period may be less than 10 days Notwithstanding the foregoing , in the event of the Company's insolvency, receivership, or voluntary or involuntary bankruptcy, or the institution of proceedings therefor or any assignment for the benefit of the Company's creditors, or if in the opinion of the Bank the Company's financial condition has become impaired, then the Bank, at its option, may terminate this Agreement immediately, without notice

16 This Agreement contains the entire understanding of the parties and may not be changed orally The terms and provisions of this Agreement shall inure to the benefit of and binding upon the Company, the Bank, and their respective successors and assigns, provided, however, that the Company may not assign its rights hereunder without prior written consent of the Banks

17 This Agreement shall be governed by and construed in accordance with the laws of the State of Texas

Prosperity Bank ____________________	Company Name ____________________
By ____________________	By ____________________
Title ____________________	Title ____________________
Date ____________________	Date ____________________

PROSPERITY BANK®

Wire Transfer Request Initiated via Internet Cash Management - Agreement

The undersigned ________________________________(Customer) authorizes and requests Prosperity Bank (Bank) to make wire transfers of funds from time to time in accordance with the provisions and procedures more fully set forth in the Agreement. Such wire transfers shall include transfers of Customer's funds from Customer(s) account(s) to other institutions or from other institutions

Wire requests will be made by Customer's representatives (Users) listed on Schedule A (Authorized Representatives). Elimination of any name or addition of any name to Schedule A shall be made effective when actual written notice is received by Bank's Wire Transfer Department and Bank has acknowledged receipt of said notice

Customer will create a wire transfer request and add to the Wire Transfers Pending file in the Internet Cash Management System Wire transfers of fund to Customer's account(s) from third parties shall be received subject to time deadlines established by the Bank Outgoing wire instructions transmitted electronically via the Internet Cash Management Wire Transfer System must be sent to Bank no later than 2:30 P M Central Standard Time, during regular business days which the main Bank is open Bank may cancel a requested transfer if Bank received Customer's request for cancellation, in form satisfactory to Bank, in such time and in such manner as to allow Bank reasonable opportunity to act

The Wire Transfer function is limited by authority assignments set up by Company within the Cash Management System User can perform wire transfer functions only if the User ID has authority for the selected source account User must approve all wire transfers in the Wire Transfers Pending File that require approval before the file is transmitted. Unapproved wires remain in the Wire Transfers Pending File and are not processed.

Bank will use ordinary care in implementing funds transfer requests Customer agrees that Bank and its agents and correspondents shall be conclusively deemed to have exercised ordinary care if procedures in the Agreement were followed, or if Customer has failed to follow such procedures and operating instructions. Bank shall be entitled to rely on any request that it believes to have been originated by Customer, and any such request shall for purposes of this Agreement be deemed to have been authorized by Customer.

Customer is responsible for maintaining the confidentiality of all PIN's, codes and other devices used to protect the authenticity of a payment order. If the client has reason to believe that any PIN's, codes or devices have or may have become known by, or have or may become compromised by unauthorized person(s) (whether employed or not by Customer), Customer agrees to immediately notify Bank by telephone and agrees to confirm oral notification in writing to Bank within 24 hours Bank will issue new PINs and codes to Customer in accordance with Bank's security requirements. Bank reserves the right to change codes and PIN's at any time by giving reasonable prior notice to Customer Customer indemnifies Bank for failure to use codes, which may cause the Bank to act upon inaccurate and unauthorized instructions furnished by the Customer Customer shall keep all security codes and procedures confidential.

Customer shall pay to Bank such transfer fees, as Bank shall from time to time impose in consideration of Bank's transfer of funds.

Bank's responsibility to Customer will be determined by Bank's performance or nonperformance of it obligations under this Agreement and to correct, at Bank's expense, any errors resulting from Bank's personnel, computer programs, or malfunction of machines. Bank shall not be liable for direct, indirect, consequential, or punitive damages of any party Bank shall have no liability to third parties for any damages incurred by such parties arising out of the performance or nonperformance of services or transfers under this Agreement Customer agrees to and hereby does indemnify and hold Bank harmless from and against all such claims of third parties and all expenses of such claims. Bank shall not be liable for delays or failures in processing that are caused by such events as fires, power failures, acts of God, or other circumstances beyond the Bank's control.

Subject to the foregoing limitations, bank's liability for loss of interest from its error or delay shall be calculated by using a rate equal to the average Federal Funds Rate at the Federal Reserve Bank of New York for the period involved

Customer will receive confirming notification of a transfer after it is made. Customer will examine such advice and if any discrepancy is detected, notify the Bank within seven (7) calendar days after the Bank sends the notice

Bank is hereby authorized to record on tape or other device any or all of its telephone conversations with Customer involving any transfer instructions and to retain such tapes or other devices for a period of time as determined by Bank.

Bank is authorized to verify any request by calling any one of Customer's authorized Users or Representatives prior to making a transfer. If Bank is unable to verify the transfer request by phone, Bank may, at its discretion, decline to process the transfer However, Bank shall not be obligated to make such a verification

Bank will not make any funds transfer if the amount exceeds the collected and immediately available funds on deposit by the Customer.

Bank may modify or cancel this Agreement upon fourteen- (14) days notice to Customer. Customer may cancel this Agreement upon fourteen- (14) days written notice to Bank Cancellation by Customer shall not be effective until acknowledgement of it by Bank.

There are no representations or warranties, express or implied, other than those contained herein

Customer may not assign this Agreement without prior written consent of the Bank

Any notice hereunder shall be in writing and may be given by personal service or by depositing in the United States mail postage prepaid to the address of the parties as follows (or as changed through written notice to the other party):

Bank (Main Bank) Customer

Prosperity Bank ______________________________
Wire Transfer Department ______________________________
P O Drawer G ______________________________
El Campo, Texas 77437 ______________________________

Executed this ________ day of ____________________, 20______

Customer: ____

____

By.__________________________ ______________________________
(Signature) (Type Name)

Title ______________________________

audits, it is the responsibility of Executive Management to obtain and review the audits

4 Contingency Planning It is the responsibility of the Back Room Operations Officer to ensure that a third party processor and network providers have contingency plans in place to continue operations in the event of a disaster and obtain a copy of the contingency plans for review
5 Loans to Third Party Organizations It is against the policy of the Bank to lend to a third party organization that performs remote deposit services processing for the Bank to avoid any potential conflict of interest and mitigate the Bank's overall credit risk

Refer to the Bank's **VENDOR MANAGEMENT PROGRAM POLICY** for detailed guidance

PRODUCT DEFINITION AND PRICING

General

The Bank's Remote Deposit Capture Program enables qualified business customers to make check deposits without going to the Bank by providing an electronic check conversion service These customers are able to make deposits at their convenience via a PC and scanning device This process enables the customer to scan and tally check deposits from their business location(s) Once the checks are scanned, electronic images of the checks are transmitted to the Bank's Remote Deposit System and deposits are automatically posted to the customer's account on the Bank's host system The Remote Deposit System then automatically determines which check images will be converted to ACH items or substitute checks (Check 21 items), electronically sorts the check images by transit and routing numbers, and transmits directly to paying banks or print facilities to print substitute checks and optimize the clearing process

Deposit transmissions are protected through data encryption and automatically logged in an audit file that can be reviewed at anytime by the Back Room Operations Officer Thresholds are established on the system for the amount of a single check, and the total deposit amount during the customer setup process Checks or deposits that are over the limit cannot be processed by the customer until approval from the branch has been granted on an exception basis or permanent changes have been approved

Key Customer Benefits

1 Operations are Streamlined Deposits are consolidated on a regional or nationwide basis to a single account, thereby reducing deposit collection This minimizes or eliminates physical transportation costs, and includes check image storage and retrieval, historical deposit activity reporting and data export capabilities to other applications

2 Funds Availability is Improved Decreases in check collection time frames are experienced in comparison to paper checks

3 Deposit Preparation Time and Associated Costs are Reduced Decreases manual deposit preparation or research time by customer personnel, in addition to providing reduced storage requirements provided by check images captured by the remote deposit program (electronic image storage)

4. <u>The Risk of Fraud is Reduced</u> Returned items are quickly identified in comparison with paper checks or statements

5. <u>Convenience</u> Deposits can be made beyond banking hours, thereby expanding the customer's deposit window timeframe

Remote Deposit Transmission Times

Transmissions for remote deposits are captured and processed throughout each business day Customers transmitting deposit information prior to the last posting cutoff time of 6 00 pm central standard time will be credited as of current business day Deposits transmitted after the daily cutoff time or on weekends or holidays will be posted the next business day

<u>Substitute Checks</u>

Due to the nature of the Bank's Remote Deposit Service, substitute checks are created when a customer uses a scanner to capture an image of their deposit items Per the Bank's agreement, the customer is responsible for the integrity of the scanned image, MICR data and the keying of the item's dollar amount

Original Check Retention

Customers are required to retain original checks in a secure environment for 10 days from the date of the electronic transmission

Returned Items

Substitute checks can be returned for all the same reasons as an original item Thus, returned substitute checks created by the Bank's Remote Deposit Service are handled in the same manner as conventional returns by redepositing, charging back to depositor's account, or submitting for collection

Pricing and Methodology

The Bank realizes that the key to a successful and profitable remote deposit processing relationship is one that is properly priced for all related transaction and service fees for which the customer will be charged throughout the life of the contract The pricing method chosen for a specific customer is a risk based method, thereby taking into account the level of risk posed by each individual remote deposit customer and includes the following general factors

1. The overall level of risk presented by the nature of the customer's business operations,

2. Overall credit worthiness and account relationship with the Bank, and

3. Other historical risk evaluation factors (such as number of NSFs, deposited items returned, days overdrawn, etc)

Pricing Model and Fee Schedule Structure

Customer relationship officers are to refer to the Bank's current Remote Deposit Services pricing model to determine appropriate pricing The Bank's pricing model is based on various criteria, such as a remote deposit customer's

1 Number of locations processing deposits,

2 Deposit amounts,

3 Type of business,

4 Number of checks deposited and returned,

5 Revenues or expenses, and

6 Other variables

These key factors are designed to produce a desired profit margin for the Bank, and include all direct and indirect expenses such as

1 Bank processing fees,

2 Third party vendor service support fees, and

3 Other income

NOTE The accuracy of the Bank's pricing model is dependant upon reasonable assumptions by the customer relationship officer for revenue and expenses The Back Room Operations Officer is responsible for verifying a customer relationship officer's projected deposit amount and check volume shortly after processing begins and periodically thereafter This will ensure that established pricing is in line with the application estimate and original pricing model assumptions

The following represents the Bank's Remote Deposit Services fee structure to all accounts The actual pricing and any additional fees paid by a remote deposit customer will be based on the monthly deposit amounts and check volume

\$200 00	Initial setup fee
\$100 00	Setup for each additional scanner
\$50 00	Monthly maintenance fee
\$0 10	Per Item deposited

NOTE Approval of exceptions to the Bank's standard pricing structure must be obtained from a member of Executive Management

Profit Analysis and Monitoring

The Back Room Operations Officer maintains a comprehensive profit analysis and monitoring system to accurately measure and track the profitability of the Bank's Remote Deposit Capture Program and product offerings This system provides key performance measures such as

1 Net income to sales,

2 Net income per item,

3 Profitability by customer,

4 Industry type pricing

The Bank's pricing is designed to be sufficient to recoup the fees charged by third party vendors in addition to the Bank's other costs

OPERATIONAL OVERVIEW

Customer Responsibilities

In general, a customer granted access by the Bank to utilize the Remote Deposit Service is responsible for

1 Maintaining at least one or more checking accounts at the Bank eligible for the receipt of deposits of digitized images of checks,

2 Performing initial installation procedures in accordance with the Bank's instructions,

3 Using the Remote Deposit Service only for internal business purposes of the customer,

4 Exercising due care in preserving the confidentiality of any User ID, password, test key, or other code or authentication method provided by the Bank and to prevent the use of the Remote Deposit Service by unauthorized persons, in addition to assuming full responsibility for the consequences of any missing or unauthorized use of or access to the Remote Deposit Service or disclosure of any confidential information or instructions by the customer, its employees and agents,

5 Installing and implementing any changes and upgrades to the system as required by the Bank within the required time limit to ensure compliance with regulatory changes or developments, or to protect the integrity and security of the Remote Deposit Service,

6 Using only equipment authorized and approved by the Bank

7 Ensuring equipment is clean and operating properly at all times,

8 Inspecting and verifying the quality of images, thus ensuring that the digitized images of the front and back of original checks (defined as a check for any amount in US Dollars drawn on or payable through a US financial institution that has not been previously presented and paid) are legible for all posting and clearing purposes by the Bank Specifically, the customer is representing and warranting that

A The check image is an accurate representation of all information on the front and back of the original check at the time the original check was converted to a check image, and the check image contains all endorsements from the original check,

B Each check image (or related electronic data file) contains a record of all MICR line information required for a substitute check and otherwise satisfies all of the requirements of Check 21 and Regulation CC for the creation and/or transferring of a substitute check created from that check image,

C The original check, a duplicate check image, or any copy of the original check or check image will not be deposited by the customer with the Bank (unless the

Bank instructs the customer to do so) or under any circumstances with any other bank, and

D The original check, a duplicate check image, or any copy of the original check or check image will not be presented, transferred or returned such that the Bank or any other person (such as the drawer of the check) will be asked to make payment based on a check or check image that the Bank or the other person has already paid

In addition, the customer's account(s) will be charged for any deposited check that is later returned to the Bank owing to an actual or alleged breach of any such representation or warranty

9 Using the system and equipment to process and transmit original checks in accordance with the Bank's instructions The customer will create a check image of an original check using scanning equipment to scan the front and back of each original check, including the responsibility for entering the correct dollar amount of each check image In addition, the customer is responsible for ensuring the MICR line information from the original check is accurately scanned, entered or repaired for each check image

<u>**NOTE**</u> A check image is considered received by the Bank at a licensed location of the Bank, and the Bank is not responsible for any losses arising directly or indirectly from damage or alteration to the check image prior to its receipt by the Bank In the event the Bank receives a check image from the customer on a day that is not a business day or after the applicable processing cutoff hour for a business day, the check image is deemed to have been received by the Bank at the opening of the next business day

10 Any loss or failure to collect a check image that results from an inaccurate or illegible check image or failure to provide full and correct MICR data or dollar amount for a check image,

11 Complying with all security procedures and agreeing to not bypass, override or disable any security mechanisms in the software or processing equipment,

12 Training its employees in the overall use of the Remote Deposit Service, including the supervision and auditing of their employees' use of the service,

13 Verifying Bank's receipt of the customer's transmissions by verifying that deposits have been posted to the appropriate accounts, in addition to cooperating in any investigation and resolving any unsuccessful or lost transmissions with the Bank,

14 Retaining each check for at least 10 days after the check has been digitized and processed, and promptly providing any retained check (or, if the check is no longer in existence, a sufficient copy of the front and back of the check) to the Bank as requested to aid in the clearing and collection process or to resolve claims by third parties with respect to any check,

15 Using commercially reasonable method(s) to destroy checks after the required retention period has expired,

16 Retaining all information regarding the customer's digitizing of checks as created by the Remote Deposit Service for at least 10 days,

17 Cooperating with the Bank in providing information in the event of lost, mistaken, incomplete or unusable electronic Items, or in the event of claims of fraud, alteration, counterfeit or otherwise, including access to such records,

18 Agreeing not to use the Remote Deposit Service to deposit or otherwise process

A Noncash items,

B Items for which the customer is not a holder in due course, or

C Substitute checks, except those which have been returned to the customer for any reason

19 Ensuring that no information has been deleted or degraded from a substitute check returned by Bank in the event the customer captures for processing a digital image of a previously truncated and reconverted substitute check returned to the customer by the Bank If the customer captures for processing a digital image of any other previously truncated and reconverted substitute check, the customer is to ensure that the substitute check meets the requirements for legal equivalency under Regulation CC and the identifications of previous truncating and reconverting bank(s) (as such terms are defined in Regulation CC) are preserved

Bank Responsibilities

In general, the Back Room Operations Officer is responsible for

1 Delivering the following items to the customer, in addition to providing access to the Remote Deposit Service

A User IDs, temporary passwords and other related authentication methods, and

B Equipment necessary to perform the service

2 Providing initial installation and training support to ensure the proper implementation and use of the Remote Deposit Service,

3 Providing maintenance and support for the Remote Deposit Service to ensure the accurate processing of checks, including but not limited to

A Corrections, contingent or alternate work methods and fixes to any known system program bugs or errors,

B Modifications, enhancements and updates that the Bank elects to make generally available to its customers, and

C Telephone and e-mail support during the Bank's normal business hours

4 Accepting for deposit to the applicable account digitized images of checks that are transmitted to the Bank Digitized images are deemed received upon confirmation by the Bank of successful receipt of the transmission of the images that are complete, usable, and adhere to the data specifications set forth in the Bank's Remote Deposit Service User Guide If the digitized images are not complete, are not useable, or do not adhere to data specifications, the images may not be processed by the Bank, in which event the customer's deposit will be adjusted and notification will be provided to the customer,

5 Processing digitized images after the Bank has received the customer's transmission of the digitized images The Bank uses commercially reasonable efforts to present image exchange items and substitute checks for collection Unless the Bank notifies the customer otherwise, the Bank provides same day credit to the applicable account for all items transmitted by the customer and received by the Bank within the timelines established by the Bank

NOTE A customer's deposit of a check image is subject to the Bank's verification and final inspection process The Bank may at any time deposit a check image or return all or part of a deposit of multiple check images to a customer without prior notice The Bank is under no obligation to inspect or verify a check image to determine accuracy, legibility or quality of the check image or MICR line information associated with the check image, or for any other purpose However, the Bank may correct or amend MICR line information associated with a check image to facilitate processing of the check image or a substitute check created from that check image

The Bank may process and collect a check image or a substitute check through one or more check clearing houses, Federal Reserve Banks, or other private clearing agreements with another bank The check images or substitute checks are subject to the rules of that clearing house, NACHA, Federal Reserve Bank, or private clearing bank agreement

6 Providing daily and monthly reports to customers, detailing items processed, return items, deposit adjustments and other related information,

7 Retaining check images contained in the Bank's cash letter file for 5 years,

8 If a payor financial institution returns an item to the Bank for any reason, the Bank may charge the applicable account for the returned item, whether or not the return is timely and proper, and may either

A Return the item to the customer, or

B Re-present it to the payor financial institution before returning it to the customer

Items may be returned as image exchange items, rather than substitute checks, as agreed by the parties If a payor financial institution or other third party makes a claim against the Bank or seeks a recredit with respect to any check processed, the Bank may provisionally freeze or hold aside a like amount in the applicable account pending investigation and resolution of the claim,

9 Immediately suspending the Remote Deposit Service or the processing of any check or corresponding electronic item if the Bank has reason to believe that there has been a breach in the security of the Remote Deposit Service, fraud involving the customer's account or check(s), or any uncertainty as to the authorization or accuracy of electronic items, including the right to process electronic items on a collection basis at any time, and

10 Refusing to process any non-conforming items, including without limitation any items that do not meet the definition of a "check "

UNDERWRITING GUIDELINES

General

It is the option of the Bank to perform a background check of each prospective remote deposit customer be performed to support the identity and validity of the business and creditworthiness of the customer

It is the responsibility of a customer relationship officer to obtain at minimum

1 A signed Remote Deposit Capture Agreement by the customer,

2 Documentation related to the identity of the business and its principals and/or guarantors required by the Bank's **CUSTOMER IDENTIFICATION PROGRAM POLICY**,

3 A signed corporate resolution (if applicable),

4 An onsite inspection report or verification of business,

5 Financial statement or credit reports on the business

6 Length of the customer's business relationship with the Bank (if applicable),

7 Discussion of the customer's recent account activity

8 Assurance that the customer has adequate and secure storage facilities in addition to proper internal controls, and

9 A determination if the customer is classified as a High Risk Entity

NOTE: In the event the customer does not meet one or more of the conditions on the Remote Deposit Capture Agreement and the relationship officer believes extenuating circumstances exist, those circumstances must be noted in the comment section of the form All customers who do not meet conditions must be approved by a member of the Executive Management before remote deposit operations may be performed by the customer

Review and Approval Process

It is the policy of the Bank to generally reject customers that have a history of substantial returned items, deposited items returned, are financially weak, or do not operate a valid business in the initial review of remote deposit applications The depth of a customer relationship officer's initial review is to match the level of risk posed by the customer (a risk based approach to Remote Deposit Services underwriting – see below) Lower risk customers may require only a limited underwriting process while higher risk customers are to undergo a far greater analysis

The following guidelines are to be used to distinguish between a low risk, moderate risk and high risk remote deposit customer when evaluating a customer for approval The remote deposit customer categories described below are designed to assist in assessing the credit qualifications and business background of the remote deposit application

Low Risk Business

A Number of locations making deposits is less than 3
B Dollar amount of average deposit does not exceed **$100,000**
C Dollar amount of average check being deposited does not exceed **$100,000**

D Number of returned items in the past **3 months** does not exceed **12**,
E Number of manually deposited items returned in the past 3 **months** does not exceed **3**,
F Not on restricted business list (see below),
G Maintains satisfactory deposit relationship with the Bank for at least **12 months**, and
H In business for at least **12 months**, or maintains a satisfactory borrowing relationship with the Bank

Moderate Risk Business

A Number of locations making deposits is between **1** and **unlimited**,
B Dollar amount of average deposit is between **$100,000** and **$unlimited**,
C Dollar amount of average check being deposited does not exceed **$unlimited**,
D Number of returned items in the past 3 **months** does not exceed **12**,
E Number of manually deposited items returned in the past 3 **months** does not exceed **3**,
F Not on restricted business list (see below),
G Maintains satisfactory deposit relationship with the Bank (no time requirement),
H In business for at least **6 months**, or maintains a satisfactory borrowing relationship with the Bank, and

Underwriting criteria for business financial statement (balance sheet and income statement, personal credit worthiness of principals)

A All outstanding obligations paid as agreed at time of application,
B No bankruptcies past **5 years**, obligations paid as agreed past **2 years**, and
C No outstanding judgments or tax liens

High Risk Merchants.

The bank will not accept high risk customers for the remote deposit capture product A high risk customer would be one on the Prohibited Product and Services and Prohibited Methods of Selling lists within this policy under those respected titles

In addition, it is the responsibility of a relationship officer to review applications from a remote deposit customer's other locations for verification purposes to ensure that the type of business is similar to the existing location and that the customer owns the additional locations

NOTE: ***All remote deposit applications require a site inspection to be performed by the customer relationship officer if the business activity is unknown to the branch officers. The inspection is to determine that a business does exist, that it is appropriately signed, and appears to conduct business operations as claimed by the customer.***

Approval Authority –

It is the responsibility of the customer relationship officer to obtain written or email approval from the regional loan concurrence committee for all customers

If approved by this method, the customer relationship officer is to place his or her signature, date and list the customer's dollar limit on the Remote Deposit Capture Agreement, attach the approved internal memorandum and/or authorization, and forward the documentation to the Back Room Operations Officer via email to Remote Deposit Capture email box to proceed with the implementation process

Prohibited or Restricted Remote Deposit Customers

It is the responsibility of the evaluating officer to carefully consider the line of business and any product being offered by a remote deposit customer during the credit evaluation approval process The following list represents the types of prohibited or restricted customers which the Bank is unwilling to conduct business with and/or will conduct business with only under certain circumstances

Restricted Businesses -- will conduct business with only under certain circumstances

- Auctions
- Auto Rentals Agencies
- Bail Bond Services
- Bars/Taverns (not serving food)
- Computer Hardware & Software (retail)
- Computer Online Services
- Employment Agencies
- Gambling Establishments
- Internet Merchants (see subtopic below)
- Limousine or Taxi Service
- Long Distance Providers
- Mall Kiosks
- Pawn Shops
- Professional Billing Services
- Resume Preparers
- Sexual Oriented Businesses
- Third Party Hotel Reservation Services
- Towing Agencies
- Travel Agencies
- Vitamin and Supplement Sales
- Check Cashing locations

Prohibited Products and Services -- will not conduct remote deposit capture with business in

- Adult Entertainment
- Collection Agencies
- Companion or Escort Services
- Credit Restoration/Repair Services
- Illegal Drug Paraphernalia
- Investment Opportunities
- Lotteries or Raffles only
- Mailing Lists
- Massage Parlors
- Online Internet Gambling
- Business Located Offshore
- Pornographic/Adult Materials
- Tattoo Parlors
- Third Party Processors

- Internet Sales of Suspect Products

Prohibited Methods of Selling -- will not conduct remote deposit capture unless certain circumstance exist with business doing

- Door to Door
- Flea Markets
- Membership Type Businesses
- Neighborhood Party Sales
- Prepaid Services
- Pyramid/Multi-Level Sales

These types of businesses, products and services, and methods of selling are inherently more risky For example, although there are many reputable mail order and telemarketing (commonly referred to as MO/TO or MOTO in the industry) customers, these merchants have (in aggregate) displayed a much higher incidence of returned items and deposited items returned In addition, the risk of returns is greater if the remote deposit customer sells goods or services for future or delayed delivery, such as airline tickets, health club memberships or travel clubs In such circumstances, consumer disputes are not triggered until the date of delivery In this respect, the Bank will consider utilizing a security deposit account to mitigate credit risk on higher risk customers

Additional Guidelines for Internet Merchant Customers

It is the responsibility of an evaluating officer to conduct thorough underwriting reviews of customers whose business operations involve Internet sales using bank and trade verifications During the underwriting process, the customer relationship officer is to determine whether heightened fraud and returned item risk warrants the use of additional risk mitigation techniques, such as establishing a reserve

Electronic commerce over the Internet poses privacy and security concerns to the Bank, and those concerns are to be addressed in an officer's initial underwriting, including the assurance of the appropriate security of transactions in addition to stored data by the customer are properly provided for Such security techniques include secured servers and data encryption technologies (e g , Secured Socket Layers) to help protect data and transaction integrity Therefore, an Internet based business customer is required by the Bank as part of its credit underwriting approval process to have the following items appear on its website

1 Customer service number (toll-free preferable),

2 E-mail address to contact the company,

3 Statement on security controls,

4 Delivery methods and timing,

5 Refund and return policies, and

6 Privacy statements (permissible uses of customer information)

Periodic Credit Review

It is the policy of the Bank that its evaluating officers perform a credit review on an annual basis for all Remote Deposit Service customers within their respective portfolios In general, an officer's review is to include the general credit underwriting guidelines by level of identified customer risk listed above in the Review and Approval Process subtopic Appropriate increased due diligence is to be performed on high dollar amount and high risk customers In any respect, a remote deposit customer's transaction history is to be reviewed for such events as fraud and returns by contacting the Back Room Operations Officer

1 Initial Review Preparation It is the responsibility of the Branch Officer to gather Remote Deposit Services and financial information in advance of the basis for customers who require credit review and forward the information to the appropriate Branch officer who will then determine if the Remote Deposit Service is to remain available to the customer

2 Credit Review Procedures It is the responsibility of a Branch Officer to review for each remote deposit customer associated with the branch all information supplied by the customer, including documentation received for loan purposes, and the Branch Officer along with the Back Room Operations Officer is to determine if each Remote Deposit Service should remain available based on established Bank lending practices and procedures

If a remote deposit customer's service is approved for renewal, the officer is to note their approval and provide their signature on the appropriate paperwork and return it to the Back Room Operations Officer

If a remote deposit customer's service is declined for renewal, the officer is to note the reason(s) for termination and provide his or her signature on the appropriate paperwork and return it to the Back Room Operations Officer It is the responsibility of the Back Room Operations Officer to notify the customer in writing of the renewal decline and make appropriate measures to ensure the customer's service is terminated

A record of the remote deposit customer's credit review is to be placed in the customer's file for historical reference by the Back Room Operations Officer

NOTE In some instances it may be necessary to reprice a remote deposit customer's fees based upon the findings of a periodic credit review Therefore, it is the responsibility of an evaluating officer to notate the new pricing on the appropriate documentation so that the Back Room Operations Officer may make the changes and notify the customer Unprofitable remote deposit customers must be repriced to ensure Bank profitability or their service terminated

SERVICE ESTABLISHMENT PROCEDURES AND RESPONSIBILITIES

Branch "Customer Relationship" Officer Responsibilities

1 Explaining available Remote Deposit Service products and pricing methods to customers,

2. Reviewing and assisting customers in the completion of the Remote Deposit Capture Agreement

3. Acting as an intermediary between the customer and the Back Room Operations Officer with respect to price quotes and documentation needed for implementation of the product,

4. Conducting a site inspection of the customer's business,

5. Providing a copy of the signed agreement to the customer,

6. Obtaining a credit report (refer to Underwriting Guidelines Policy topic above) if necessary,

7. Obtaining and verifying that all signatures are provided on the Remote Deposit Capture Agreement

8. Forwarding all documentation to the Back Room Operations Officer for processing, and

9. Initiating a decline letter to the customer if necessary following Bank established credit guidelines

10. Implementing the initial set-up, ensuring the customer received necessary equipment and setup instructions

Operation Officer's Responsibilities

1. Acting as liaison between customer relationship personnel, credit review officers and customers,

2. Maintaining a log of all customer applications and supporting documentation as received,

3. Creating and maintaining customer files to house original documentation, including annual reviews,

4. Implementing the initial setup, ensuring the customer received necessary equipment and setup instructions,

5. Verifying depository checking accounts are coded with the appropriate alert code,

6. Providing direct service and technical support for remote deposit customers, and

7. Monitoring daily remote deposit transactions for suspicious activity

CHANGES OR DELETIONS

Submitting Changes

Authorized changes (submitted in writing internally or from a customer) are to be communicated and forwarded by authorized branch or department personnel to the Remote Deposit Services Department Upon receipt, the Remote Deposit Services Department will

1 Pull the customer's Remote Deposit Services file,

2 Request that any third party processor make changes,

3 Place the original authorization request in the file, and

4 Place the customer's file in a verification file for follow up to ensure the change was made properly

After the call back procedure is completed, the customer's file is to be placed in the appropriate open filing cabinet for historical reference

Customer Request to Terminate Service

Customers voluntarily requesting to terminate their Remote Deposit Service may do so by submitting their request in writing Designated branch or department personnel are to forward the request to the Remote Deposit Services Department Upon receipt, the Remote Deposit Services Department will

1 Pull the customer's Remote Deposit Services file,

2 Terminate the customer's Remote Deposit Service as indicated,

3 Place the original authorization request in the file, and

4 Place the customer's file in a verification file for follow up to ensure the change was made properly

After the call back procedure is completed, the customer's file is to be placed in the appropriate closed filing cabinet for historical reference

CONTIGENCY PLANNING – Customer Level

In the event that the Merchant Capture System is declared in operable for any reason the customer will be directed to bring or mail their deposits to the nearest banking center available

AUDIT POLICY

It is the policy of the Bank to conduct an annual audit by internal and/or external auditors to ensure complete adherence to all applicable laws and regulations related to the Bank's Remote Deposit Capture Program

Results of the audit are reported to the Audit Committee It is the responsibility of the Back Room Operations Officer to take appropriate action to correct any exceptions found as a result of the audit

RETENTION OF DOCUMENTATION

It is the responsibility of the Remote Deposit Services Department to retain any documentation related to the Bank's Remote Deposit Capture Program for five (5) years

DEFINITIONS

1 Account Each of a customer's accounts at a bank into which checks electronically transmitted will be deposited

2 Automated Clearing House or ACH A facility that processes debit and credit transfers under rules established by a Federal Reserve Bank operating circular on automated clearing house items or under rules of an automated clearing house association

3 Available for Withdrawal With respect to funds deposited means available for all uses generally permitted to the customer for collected funds under the bank's account agreement or policies, such as for payment of checks drawn on the account, certification of checks drawn on the account, electronic payments, and withdrawals by cash, and transfers between accounts

4 Banking Day The part of any business day on which an office of a bank is open to the public for carrying on substantially all of its banking functions

5 Business Day A calendar day other than a Saturday or a Sunday, January 1, the third Monday in January, the third Monday in February, the last Monday in May, July 4, the first Monday in September, the second Monday in October, November 11, the fourth Thursday in November, or December 25 If January 1, July 4, November 11, or December 25 fall on a Sunday, the next Monday is not a business day

6 Check

A A negotiable demand draft drawn on or payable through or at an office of a bank,

B A negotiable demand draft drawn on a Federal Reserve Bank or a Federal Home Loan Bank,

C A negotiable demand draft drawn on the Treasury of the United States,

D A demand draft drawn on a state government or unit of general local government that is not payable through or at a bank,

E A United States Postal Service money order, or

F A traveler's check drawn on or payable through or at a bank

The term check includes an original check and a substitute check The term check does not include a noncash item or an item payable in a medium other than United States money A draft may be a check even though it is described on its face by another term, such as money order The term check also includes a demand draft of the type described above that is nonnegotiable

7 Check 21 Check Clearing for the 21ST Century Act

8 Check Image An electronic image of an original check (including a substitute check) created by a customer in connection with the Remote Deposit Service

9 Claimant Bank A bank that submits a claim for a recredit for a substitute check to an indemnifying bank

10 Collecting Bank Any bank handling a check for forward collection, except the paying bank

11 Depositary Bank The first bank to which a check is transferred even though it is also the paying bank or the payee A check deposited in an account is deemed to be transferred to the bank holding the account into which the check is deposited, even though the check is physically received and indorsed first by another bank

12 Electronic Item A digitized image of a check, an image exchange item, or any other electronic version of a check or other electronic item (such as items processable through the Automated Clearing House (ACH) system) approved by a bank for processing through a remote deposit service

13 Electronic Payment A wire transfer or an ACH credit transfer

14 Forward Collection The process by which a bank sends a check on a cash basis to a collecting bank for settlement to the paying bank for payment

15 Image Exchange Item A digitized image of a check cleared and settled directly with a payor financial institution without conversion to a substitute check

16 Indemnifying Bank A bank that provides an indemnity with respect to a substitute check

17 Magnetic Ink Character Recognition Line and MICR Line The numbers, which may include the routing number, account number, check number, check amount, and other information, that are printed near the bottom of a check in magnetic ink in accordance with American National Standard Specifications for Placement and Location of MICR Printing for an original check and American National Standard Specifications for an Image Replacement Document for a substitute check (unless the Federal Reserve Board by rule or order determines that different standards apply)

18 Noncash Item An item that would otherwise be a check, except that

A A passbook, certificate, or other document is attached,

B It is accompanied by special instructions, such as a request for special advice of payment or dishonor,

C It consists of more than a single thickness of paper, except a check that qualifies for handling by automated check processing equipment, or

D It has not been preprinted or post-encoded in magnetic ink with the routing number of the paying bank

19 Original Check The first paper check issued with respect to a particular payment transaction

20 Paper or Electronic Representation of a Substitute Check Any copy of or information related to a substitute check that a bank handles for forward collection or return, charges to a customer's account, or provides to a person as a record of a check payment made by the person

21 Paying Bank

A The bank by which a check is payable, unless the check is payable at another bank and is sent to that bank for payment or collection,

B The bank at which a check is payable and to which it is sent for payment or collection,

C The Federal Reserve Bank or Federal Home Loan Bank by which a check is payable,

D The bank through which a check is payable and to which it is sent for payment or collection, if the check is not payable by a bank, or

E The state or unit of general local government on which a check is drawn and to which it is sent for payment or collection

Paying bank includes the bank through which a check is payable and to which the check is sent for payment or collection, regardless of whether the check is payable by another bank, and the bank whose routing number appears on a check in fractional or magnetic form and to which the check is sent for payment or collection A paying bank also includes the Treasury of the United States or the United States Postal Service for a check that is payable by that entity and that is sent to that entity for payment or collection

22 Qualified Returned Check A returned check that is prepared for automated return to the depositary bank by placing the check in a carrier envelope or placing a strip on the check and encoding the strip or envelope in magnetic ink A qualified returned check need not contain other elements of a check drawn on the depositary bank, such as the name of the depositary bank

23 Reconverting Bank

A The bank that creates a substitute check, or

B With respect to a substitute check that was created by a person that is not a bank, the first bank that transfers, presents, or returns that substitute check or, in lieu thereof, the first paper or electronic representation of that substitute check

24 Regulation CC Federal Reserve Board Regulation CC Availability of Funds and Collection of Checks

25 Remotely Created Check A check that is not created by the paying bank and that does not bear a signature applied, or purported to be applied, by the person on whose account the check is drawn For purposes of this definition, "account" means an account or other arrangement that allows a person to draw checks that are payable by, through, or at a bank

26 Returning Bank A bank (other than the paying or depositary bank) handling a returned check or notice in lieu of return A returning bank is also a collecting bank for purposes of UCC 4-202(b)

27 Routing Number

A The number printed on the face of a check in fractional form in nine-digit form, or

B The number in a bank's indorsement in fractional or nine-digit form

28 Similarly Situated Bank A bank of similar size, located in the same community, and with similar check handling activities as the paying bank or returning bank

29 Substitute Check A paper reproduction of an original check that

A Contains an image of the front and back of the original check,

B Bears a MICR line that contains all the information appearing on the MICR line of the original check at the time that the original check was issued and any additional information that was encoded on the original check's MICR line before an image of the original check was captured,

C Conforms in paper stock, dimension, and otherwise, and

D Is suitable for automated processing in the same manner as the original check

30 Sufficient Copy and Copy

A A sufficient copy is a copy of an original check that accurately represents all of the information on the front and back of the original check as of the time the original check was truncated or is otherwise sufficient to determine whether or not a claim is valid

B A copy of an original check means any paper reproduction of an original check, including a paper printout of an electronic image of the original check, a photocopy of the original check, or a substitute check

31 Transfer and Consideration These terms have the meanings set forth in the Uniform Commercial Code and in addition

A The term transfer, with respect to a substitute check or a paper or electronic representation of a substitute check, means delivery of the substitute check or other representation of the substitute check by a bank to a person other than a bank, and

B A bank that transfers a substitute check or a paper or electronic representation of a substitute check directly to a party other than a bank that has received consideration for the item if the bank has charged, or has the right to charge, the party's account or otherwise has received value for the original check, a substitute check, or a representation of the original check or substitute check

32 Uniform Commercial Code, Code, or U C C The Uniform Commercial Code as adopted in a state

GALVESTON COUNTY DEPOSITORY BID
PROSPERITY BANK

Interest Bearing Checking Accounts - NOW:
Interest would be paid on the net collected balance in your account at our posted NOW account rate with **a floor of 0.60%.** This is a variable rate and is subject to change from time to time The rate paid shall under no circumstances be lower than 0.40% All other services and fees are included at no charge

ProsPerfect Investment Money Market Account - MMDA:
Interest would be paid on the net collected investable balance at our **posted tier rate with a floor of 0. 75%.** This is a variable rate and is subject to change from time to time, the rate paid shall under no circumstances be lower than **0.75%.** Federal regulations restrict the number of checks, drafts, or similar orders to third parties and preauthorized automatic or electronic withdrawals made by computer, telephone, ACH, or other similar device to six (6) per statement cycle from this account.

		RATE	APY
Tier 1	$0. to $ 9,999.99	0 75%	0 75%
Tier 2	$10,000. to $ 24,999.99	0 75%	0 75%
Tier 3	$25,000. to $ 49,999 99	0 75%	0 75%
Tier 4	$50,000. to $ 99,999 99	0.75%	0.75%
Tier 5	$100,000 and over	0 750%	0 75%

Interest Bearing Checking Account – NOW rate is subject to change daily based on fluctuations in Prosperity Bank's NOW rate.

Money Market account rate is subject to change daily based on fluctuations in Prosperity Bank's Money Market rate

Interest will be paid monthly on Average Collected Investable Balance

Note A guaranteed floor rate will insure the interest paid on the district's funds will not fall below the floor rate for the respective account during the contract period

Prosperity Bank
Reference 4 5 18) – A
Lockbox Pricing Fee Structure

Prosperity Bank
Lockbox Pricing 2007

#	Prosperity Bank - Lockbox Fee Structure Wholesale Lockbox	Prosperity Pricing
1	Monthly Maintenance Fee	75 00
1a	Per Check Item fee	0 26
1b	Per additional piece (other) fee	0 26
2	eImaging -Per Item Fee	0 20
3	Internet/email Fee - Monthly	20 00
4	Check and List (per key stroke)	0 00
5	Correspondence handling/No check mail -per item	0 25
6	No check mail Imaging (per page)	0 10
7	Data Transmission-Monthly	100 00
8	Bank Implementation Fee (one time)	150 00
9		
10	**Retail Lockbox**	
11	Monthly Maintenance Fee	75 00
11a	Per Check Item fee	0 26
11b	Per additional piece (other) fee	0 26
12	Per Item Fee-Singles	0 20
13	Per Item Fee-Multiples	0 15
14	Check Only (no Coupon)	0 15
15	Retail Data Transmission -Monthly	100 00
16	Data Entry (per key stroke)	0 00
17	Retail Image CD Rom (per disk)	5 00
18	Retail EIP File --Monthly	75 00
19	Retail exception items - per item * plus key stroke	0 25
20	Coupon Reject	0 10
21	(rejects exceeding 3% will be charged the per item fee)	
22	Bank Implementation Fee (one time)	150 00
23	Other Product/Pricing Considerations	TBD
24	1 EOB - Medical Claims Processing	TBD
25	2 Courier Fees – Check Dispatch/Exception Items	TBD
26	3 Access to Image Archive and Web Delivery	TBD
27	4 PO Box Rental – USPS Rates	TBD
28	5 Programming Fees	TBD
29		
30	**Additional Fees**	
31	Daily Data Transmission	TBD
32	Daily Courier	TBD
33	Coupon preparation - download from web site	TBD
34	Opening mail	0 10
35	Return of empty envelopes	0 05
36	Listing of items on CD ROM	0 03
37	PO Box Annual Rent	50 00
38	Computer Programming Customization per hour	250 00
39	Extra Photocopy	0 15
40	Facsimile Notification of Deposit - Month	50 00

Custodial Agreement
For Pledged Securities
(Federal Home Loan Bank of Dallas)

This Custodial Agreement (this "Agreement") made and executed this 11th day of December, 2012, is by and among the **Commissioners' Court of Galveston County** acting on and behalf of the **County of Galveston ("County"), Prosperity Bank, a Texas State Banking Association having a Banking Center located at 2424 Market Street, Galveston, Texas, 77550, ("Bank") and The Federal Home Loan Bank of Dallas, ("Custodian").**

Witnesseth:

Whereas, County maintains or desires to maintain substantial deposits of its funds in various accounts with **Bank** (the **"Deposits"); and**

Whereas, Bank desires to obtain the **Deposits** and to provide certain pledged securities described herein as collateral security for the **Deposits,**

Now, therefore, in consideration of the foregoing and of the mutual covenants herein contained, it is hereby agreed as follows

1) **Bank** represents and warrants that **Bank** is the legal and actual owner, free and clear of all liens and claims, of the securities pledged as collateral for the **Deposits,** which securities are described in the **County Depository Pledge Contract** between **Bank** and **County** dated as of even date herewith (the **"Pledge Contract")** and consist only of those types of securities described in paragraph 5 of this Agreement (such securities and all additions thereto and substitutions thereof, being hereinafter individually and/or collectively referred to as the **"Pledged Securities").**

2) **Bank** warrants that all securities initially pledged with the **County** have been or will be approved by its Board of Directors as **Pledged Securities** **Bank** warrants that it likewise will be the legal and actual owner free and clear of all liens and claims of all securities added as additional collateral or substituted for existing collateral and that all such securities added or substituted have been approved, or within 30 days of the date of the addition or substitution, will be approved by its Board of Directors as **Pledged Securities** pursuant to the terms of this Agreement and the Pledge Contract

3) a) **Bank** hereby grants to **County** a security interest in, and hereby pledges to **County,** all pursuant to the terms of the **Pledge Contract,** the **Pledged Securities**, which as of the date hereof have a value in the minimum amount of Eighty Million Dollars ($80,000,000), as collateral for the **Deposits** (such $80,000,000 amount is hereinafter referred to as the **"Minimum Level of Collateral Security").**

b) In the event the **Deposits** exceed the **Minimum Level of Collateral Security, Bank** shall deliver within two (2) business days to **Custodian** additional **Pledged Securities** of the type described in Paragraph 5 below in the amount necessary to collateralize the **Deposits** at 110% of the amount of the **Deposits** Any provision of this Agreement that refers to the dollar amount of **Pledged Securities** shall be deemed to mean the aggregate for all **Pledged Securities** of the lower of the face value or **Fair Market Value** (as **Fair Market Value** is defined immediately below) for each **Pledged Security.** It is the intent of the parties to this Agreement that any determination of the market value of any **Pledged Securities,** or substitutions thereof, will be based upon prices which were in effect at a minimum on the last business day of the previous month as obtained from a primary dealer ("**Fair Market Value**") and is to be made by and is the joint responsibility of **County** and **Bank,** and any question or dispute over such value is to be resolved jointly by **County** and **Bank.**

c) In the event the **Minimum Level of Collateral Security** exceeds 110% of the amount of the **Deposits, County** will, within two (2) business days of **County's** receipt of **Bank's** written request, deliver to the **Custodian** hereinafter named (with a copy to **Bank)** a written release for individual **Pledged Securities** that are in the amount of such excess, and **Custodian** shall then promptly deliver such released individual **Pledged Securities** to **Bank.**

4) The **County** and the **Bank** agree that the **Federal Home Loan Bank of Dallas**, as **Custodian,** is an acceptable custodian to safe hold all securities pledged to secure the **Deposits. Custodian** hereby agrees to hold all **Pledged Securities** deposited with it pursuant to the terms of this Agreement and the Custodial Services Standard Terms and Conditions (the "**Terms and Conditions**") between **Custodian** and **Bank,** and to deliver such **Pledged Securities** in accordance with the terms hereof and thereof Additionally, **Custodian** agrees to serve as collateral agent for **County** to the extent necessary to allow **County** to perfect its security interest granted herein in the **Pledged Securities** Such **Pledged Securities** shall be subject to the written instructions of the **Bank**, until the **Custodian** has received a written notice from the **County** of the **Bank's** default as set forth in Paragraph 8 hereof

The parties agree that this Agreement contains additional terms imposed upon each other in connection with the **Pledged Securities** and that they agree to be bound by such additional terms Where such additional terms provide that **Custodian** will perform certain tasks, **Custodian** agrees to do so Such additional terms are as follows

a) Upon receipt of any **Pledged Securities** or any substitution thereof, deliver to **County** an original and one copy of a **"New Pledged Security Notification"** in **Custodian's** customary form (the "**Advice**"), respecting the **Pledged**

Securities, which shall at a minimum be clearly marked on its face by **Custodian** that the security is pledged to **County.** A copy shall be addressed to Bank Upon receipt of the **Advice, Bank** shall verify same for accuracy, and if not acceptable to **Bank,** promptly notify **Custodian** and **County** for changes required

b) Hold **Pledged Securities** as collateral security in the manner set forth herein

c) Either keep **Pledged Securities** separate and apart and not commingled with any other securities, or hold **Pledged Securities** in bulk with securities of the same class and issuer, provided, that in the latter case, **Pledged Securities** shall be clearly identified as those belonging to **Bank** and pledged only to **County** hereunder

d) Once prior approval from **County** is furnished in accordance with the requirements of Paragraph 6 below, surrender to **Bank** individual **Pledged Securities** in exchange and as a substitute for other securities meeting the requirements of Paragraph 5 hereof and having a total value, as certified by **Bank,** not less than 100 percent of the total dollar amount of the individual **Pledged Securities** surrendered

e) Accept individual **Pledged Securities** being substituted for individual **Pledged Securities** to be surrendered in accordance with Paragraph (d) above, and issue an **Advice** for any and all additional securities thus accepted, with the original **Advice** to be promptly delivered to **County** and a copy to **Bank.**

f) Accept additional **Pledged Securities** in the event of increases in deposits of **County** as certified to **Custodian** by **Bank,** and issue an **Advice** for any and all additional securities thus accepted, with the original **Advice** to be promptly delivered to **County** and a copy to **Bank.**

g) Deliver all **Pledged Securities** to **County** upon default of **Bank** as provided in Paragraph 8 hereof

h) Release individual **Pledged Securities** in the event that **Bank** has pledged securities whose value exceeds the need to cover the **Deposits** at the agreed upon margin shown in Paragraph 3, as certified to **Custodian** by **County** and **Bank** Such reduction can only be done with the joint approval of **County** and **Bank.**

i) Release all **Pledged Securities** to **Bank** upon the termination of this Agreement as provided in Paragraph 14 hereof

5) Upon written notification by **Bank** and **County, Bank** may substitute securities of which **Bank** is the legal and actual owner, free and clear of all liens and claims, for all or any part of **Pledged Securities** so long as such substitute securities are of one or more of the following types

a) Direct obligations of the United States Government

b) Direct obligations of any agency or instrumentality of the United States Government with the exception of derivative securities created from or whose value depends on or derives from the value of one or more underlying assets, indexes of asset values or interest rates Derivative securities would include but are not limited to collateralized mortgage obligations (CMO's), interest-only (IO`s) and principal-only (PO's), forwards, futures, interest-rate swaps, options, floaters/inverse floaters, caps/floors, callars, structured notes, Z Bonds, PAC 2s and Remics

6) The substitution or the exchange of like securities may not be done without the prior written consent of **County,** which consent shall not be unreasonably withheld or delayed Pursuant to Texas Local Government Code §116 082 the **County's** consent shall be provided as follows

A written notice stating the type of security, par value, interest rate, maturity date and market value at date of substitution shall be delivered to **County c/o the County Treasurer** by **Bank** not less than five (5) business days before any substitution or exchange is to occur **County's** consent will be evidenced by execution of a written release sent to **Bank.** Such release will be furnished by **Bank** to **Custodian.** Substituted securities will be in place with **Custodian** before securities being released are released

In order to assist the **County Commissioners' Court** in the performance of its duty to examine accounts and reports that relate to **County** finances, as such duty is set forth in V T C A , Local Government Code §115 022, the **County Treasurer** will furnish the **County Commissioners' Court** on a monthly basis which **Pledged Securities** were released and which **Pledged Securities** were substituted by **Bank** during the preceding month

The approved method of substitution is not intended to amend the requirement imposed upon **Bank** to either replace timed securities in a timely manner or to maintain such **Pledged Securities** on deposit with **Custodian** in the amount necessary to collateralize the **Deposits** at 110% of the amount of the **Deposits** as set forth in this Agreement, but is merely intended to accommodate in expediting the substitution of its securities

7) Except as described in 3)c) above, at all times during which this Agreement is in effect, the dollar amount of **Pledged Securities** shall equal or exceed the **Minimum Level of Collateral Security** **Bank** will furnish the **County Treasurer** with valuation information on the **Pledged Securities** at least once per week, in order to assist the **County Treasurer** in verifying the **Fair Market Value** of the Pledged Securities Except as described in 3)c) above, should the dollar amount of **Pledged Securities** at any time not equal or exceed the **Minimum Level of Collateral Security**, **Bank** shall cure such deficiency within two (2) business days after knowledge thereof by delivering to **Custodian** additional **Pledged Securities** in accordance with Paragraph 3 (b) Notwithstanding any provisions within this Agreement to the contrary, **Custodian** has no responsibility for determining the dollar amount of **Pledged Securities,** or substitutions thereof, or for insuring that the dollar amount of such **Pledged Securities** held by it is proper under the terms of this Agreement **Bank** shall furnish to **County** monthly

statements prepared by **Custodian** and furnished to **Bank** respecting all **Pledged Securities.** Such statements will contain security descriptions, par values, current face value, current market values, and any other information that **County** may reasonably request and will be certified by **Custodian; provided, however, that any pricing information, including current market values, provided by Custodian to County shall be for the sole purpose of establishing the collateral value of the Pledged Securities and do not reflect a market valuation or indicative pricing of such Pledged Securities.** In addition, **County** shall have the right to request from **Bank** certified statements describing the **Pledged Securities** at such time or times as it shall, in its discretion, deem reasonable

8) In the event **Bank** shall fail to pay to **County** any collected funds and accumulated interest which **County** has on deposit therein in accordance with the terms of such deposit, **County** shall give written notice of such default or any other default to **Bank**, and **Bank** shall have two (2) business days to cure such default In the event **Bank** fails to cure such default, **County** shall provide **Custodian** with written notice of **Bank's** default (the "**Default Notice")** After receipt of the **Default Notice**, **Custodian** shall act as exclusive agent of **County** for the purpose of delivering such part or all of the **Pledged Securities** The parties agree that, upon receipt of the **Default Notice**, **Custodian** may act upon unilateral instructions from **County** and shall have no duty to determine the actual existence of a default Further, upon default, **County** shall then be deemed to have vested full title to all **Pledged Securities** **County** is hereby then empowered to take possession of and transfer or sell any and all **Pledged Securities** If a **Pledged Security** is transferred, ownership of such **Pledged Security** will transfer entirely to **County** If the **Pledged Security** is liquidated, any proceeds over the value of the defaulted amount of the collected demand deposit or matured time deposit, including accrued interest, plus expenses related to the liquidation transaction, shall be returned to **Bank** If **Pledged Securities** are transferred to **County**, **County** may sell **Pledged Securities** at a public or private sale at its option, upon not less than five (5) business days written notice to **Bank** and **Custodian.** In the event of a public or private sale **Bank** shall be given the opportunity to offer to purchase **Pledged Securities.** In the event of such sale, **County** after deducting expenses, including reasonable attorneys' fees, from the proceeds of such sale, shall apply the remainder to any one or more of the liabilities of **Bank** to **County** pursuant to the **Pledge Contract,** or any other agreement related thereto, including but not limited to this Agreement, and shall return the surplus, if any, to **Bank.**

9) If **Custodian** should suspend active custodial operations of the nature contemplated by this Agreement or resign as **Custodian,** another **Custodian** will be immediately selected by **Bank** and **County** and a new custodian agreement acceptable to **County** and **Bank** will be executed In the event **Bank** and **County** cannot reasonably agree upon the selection of a successor custodian bank acceptable to both, then the parties will select **Federal Reserve Bank of Dallas** as a successor custodian bank and both parties shall agree upon the terms and conditions of the successor custodian

10) This Agreement shall be governed by the laws of the State of Texas Venue will be in Galveston County

11) This Agreement shall be binding upon **Bank, County, and Custodian,** and their respective successors and assigns

12) **Bank** shall pay all reasonable and customary service fees charged by **Custodian** in connection with this Agreement, including but not limited to the fee for **Custodian's** issuance of **"Advices,"** in accordance with the schedule of fees delivered by **Custodian** to **Bank.**

13) This Agreement is made pursuant to due authorization by the **Board of Directors** of **Bank, the Board of Directors of Custodian or its authorized representatives,** and the **Commissioners' Court of Galveston County, Texas.**

14) The term of this Agreement shall be for forty-eight (48) months beginning October 1, 2011, unless terminated by **County** prior thereto by ninety (90) days prior written notice delivered by County to **Bank** and **Custodian**

15) In the event of a conflict between this Agreement and the **Terms and Conditions,** with the exception of the duties assumed by **Custodian** in Paragraph 4 above, the **Terms and Conditions** control

16) All notices herein required shall be in writing and shall be served upon the parties at the address listed below For purposes of this paragraph, the address of the parties shall be

a) If to **County:** Attention **Kevin C. Walsh, CPA**

County Treasurer
Galveston County
Galveston County
Courthouse
722 Moody, 4th Floor
Galveston, Texas 77550

b) If to **Bank:** Attention **Tom LaRue**

Prosperity Bank
2424 Market
Galveston, Texas 77550

c) If to **Custodian:**

Federal Home Loan Bank of Dallas
8500 Freeport Parkway
Irving, Texas 75063
Attention Safekeeping Department

17) **Custodian's** duties are described herein to clarify that such duties are **Custodian's** duties and not the duties of **Bank** or **County** The parties specifically agree that **Bank** and **County** will have no responsibility for the performance of **Custodian**

[Remainder of this page is blank Next page is signature page]

In Witness Whereof, the parties hereto, by their respective officers duly authorized, have caused this Agreement to be executed on the day and year first above written

County of Galveston

By: ______________________
Mark Henry
County Judge

Attest:

____
Dwight D. Sullivan
County Clerk

Date: 12/11/12

Attest:

By: ______________________

Title: Secretary

Date: 1/4/2013

Prosperity Bank

By: ______________________
Tom LaRue
Title: President, Prosperity Bank-Galveston

Federal Home Loan Bank of Dallas

By: ______________________
Printed Name: ______________________
Title: ______________________
Date: ______________________

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

2013001381

January 07, 2013 03 01 22 PM

FEE $0 00

Dwight D Sullivan, County Clerk

Galveston County, TEXAS

AGENDA

ITEM

#24g

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department			
1 Date of Request 12/6/12	2 Contract Type Expense Revenue Other		3 Renewal Contract Yes / No
4 Department Name Legal		5 Department Contact	
6 Description Lease - Senator Taylor - Calder Rd Bldg			
7 IFAS PEID No	8 IFAS Req No	9 Orgkey	10 Object Code
11 Vendor		12 Vendor Contract No	
13 Requested Legal Review Yes / No (Explain if No)			

Expenditure Budget / Revenue Projections

14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
22 Totals					-	-	-

To Be Completed By Purchasing Department

Contract Start Date	Auto Renewal Contract Yes / No	Bid No
Contract End Date	Contract # Issued By Purchasing	

Approved By	Signature	Date
Department Head	Nancy Bozoran	12/6/12
Assistant Purchasing Agent	Gwen A. McLean	12/6/2012
County Legal	Nancy Bozoran	12/6/12

Contract listed in Budget Documentation Yes / No

County Budget Office	[signature]	12/6/2012

Form Number

Revised 9 25 2012

TEXAS SENATE OFFICE SPACE LEASE CONTRACT

1 PARTIES

This lease contract is made and entered into this 1st day of January ,2013 ,by and between (a) Galveston County herein referred to as LESSOR, and (b) THE TEXAS STATE SENATE, herein referred to as LESSEE, on behalf of Senator Taylor

2 PROPERTY LEASED

Lessor promises, in return for the consideration and mutual promises described herein to lease Lessee, the following property and premises, to wit

252	square feet of net usable space, located in the
Calder Road Building	Building, at
174 Calder Road	[street address]
County Clerk's Scanning Room	[suite number], in
League City	[city]
Galveston County, Texas	[county, Texas]
77573	[zip]

Lessor also agrees to furnish any and all requirements, if any, to such property and premises as set out in LEASE SPECIFICATIONS Any LEASE SPECIFICATIONS shall be attached hereto and incorporated herein by reference and made a part hereof for all purposes

3 MONTHLY RENTAL

Lessee agrees to pay Lessor Galveston County Dollars ($504 00) per month which shall be paid solely from the funds of the Texas State Senate during the term of this lease (All additions or deletions of net usable space to this lease shall increase or reduce the stated amount by 2 00 cents per square foot per month) Lessor agrees to submit monthly statements for rent to Lessee The monthly rentals provided for herein shall be due and payable by Lessee in advance on the first day of the month and paid no later than the tenth day of the month for which said rentals are due Any and all payments pursuant to this lease are governed by Chapter 2251 of the Government Code, as applicable

4 TERM OF LEASE

The primary term of this lease shall be for 24 months commencing on the 8th day of January, 2013 , and ending on the 13th day of January , 2015 , but Lessor understands and agrees that Lessee may cancel this lease without penalty if Lessee for whose benefit this lease is made ceases to be a member of the Texas Senate for any reason or if the leased property ceases to be a part of the district Lessee member represents, or for any other reason as hereinafter provided

(a) Lessee has the option to renew this lease for an additional period of N/A months for the same rental and under the same terms, conditions, covenants, and provisions applicable under this lease during the primary term To exercise the option, Lessee must give written notice of election to do so to Lessor not later than 30 days before the expiration of the primary term of the lease

(b) This lease contract is made and entered into contingent upon the availability of state funds appropriated by the Texas Legislature to cover the full term and cost of this lease In the event state appropriated funds are not available, upon written notice to Lessor, Lessee may terminate this lease or adjust it in accordance with the provisions of this lease are not available, upon written notice to Lessor, Lessee may terminate this lease or adjust it in accordance with the provisions of this lease

(c) If Lessor shall be unable to give possession of the demised premises on the date of commencement of the term hereof by reason of the fact that the premises are located in a building which is being constructed and which has not been sufficiently completed to make such premises ready for occupancy or if repairs, alterations, improvements, or decorations of the demised premises are not ready for occupancy by Lessee on the date of commencement of the term hereof, Lessee may terminate the lease by giving written notice Lessee may not terminate the lease if the delayed occupancy is the responsibility of the state Should termination occur under this paragraph, Lessor will be liable in damages for any additional rent Lessee is required to pay for facilities substantially equal to the demised premises If Lessee so elects, Lessee may continue to treat this lease as in force and effect for a period of no more than 120 days after the stated date of commencement During this time, or for as long as possession does not commence, Lessee shall not be liable for the rent reserved and covenanted to be paid and Lessor shall be liable for all costs necessary to house Lessee during this term Payment hereunder shall not begin until the possession of the premises is given or the premises are available for full occupancy by Lessee, and Lessee is liable only for rent for those months beginning on and after such date If Lessee takes possession of the premises or the premises are available for full occupancy other than on the first of the month, the rent for that month shall be prorated from the date Lessee takes possession or the premises become available

5 GENERAL TERMS AND CONDITIONS

(a) Lessor further agrees that should Lessee request additional space during the term of this lease, Lessor may furnish such space as is requested by Lessee, if available, adjacent to space covered by this lease at a rental not more than the monthly cost per square foot shown in paragraph 3 above, and to be concurrent with the balance of the period covered by this lease If it is determined and agreed by both Lessor and Lessee that market conditions have changed since the start of this lease, or the start of any option period currently in effect, the monthly cost per square foot applicable to the space to be added may be adjusted to reflect present market conditions Lessor shall also furnish any and all services provided in this lease The lease of additional space shall not be valid, however, unless evidenced in writing and signed by both parties

(b) Lessor covenants and agrees to pay all taxes of whatever nature, levied and assessed, on or against the lease property and improvements during the term of the lease, and to keep the leased premises, property and buildings in good repair and condition during the term of this lease and any extension thereof, said maintenance to include, but is not limited to, the following services repair and patch walls, ceiling and floor surfaces, painting as needed, replacement of broken glass, repair of window shades, blinds and/or drapes, fasteners and sash cord or chains, roof and ceiling leaks, building exterior, interior, plumbing, heating, air conditioning and ventilating equipment, fire protection equipment, miscellaneous valves, woodwork, locks, floor surface and coverings, and lighting fixtures, and the replacement of all defective or burned-out bulbs, fluorescent tubes, ballasts, and starters In the event of the forecast of a flood, hurricane, or other natural disaster, Lessor shall take all reasonable and necessary actions to secure and protect the premises

(c) It is further understood and agreed that if Lessor does not maintain the premises and all appurtenances thereto, as heretofore specified, in good repair, reasonable wear and tear excepted, Lessee shall notify Lessor in writing in reference thereto by certified mail, return receipt requested If, within thirty (30) days after receipt of such notice Lessor fails to take steps to remedy the grievances specified in said notice, Lessee may take any and all actions in accordance with paragraph 5(n) below

(d) Lessor hereby covenants and agrees that hereafter and during the term of this lease or any extension thereof, it will not rent, lease or otherwise furnish space in this or any adjacent buildings under its control to any enterprise which, in the usual exercise of its business, could be expected to create noise or odors injurious or disruptive to Lessee's normal governmental activity

(e) Lessor further covenants that it has good and sufficient title to the said premises, and has full power and authority to execute this lease and to place Lessee in possession of the premises in full satisfaction of and compliance with the terms and conditions herein Lessor also agrees that it will not attempt to impose upon

Lessee any requirements of other legal instruments related to these premises not referred to herein or made a part hereof Lessor warrants and defends unto Lessee against the claims of all persons to be leasehold interests of Lessee Any person or entity executing this lease as agent for Lessor shall attach to this lease sufficient evidence or authority to act in the capacity shown

(f) Lessor warrants that the operation of Lessee on the demised premises is not in violation of any city ordinance or statute or any restriction imposed against the demised premises and that Lessor will indemnify Lessee for any direct or indirect loss sustained by Lessee as a result of the existence of such restriction, ordinance, or statute

(g) Lessor hereby covenants and agrees that Lessee may bring on to the leased premises any and all equipment and improvements reasonably necessary for the efficient exercise of Lessee's governmental responsibilities Any and all improvements made by Lessee that will be permanently affixed to the property shall be agreed to and adopted by the parties hereto and shall become the property of the Lessor

(h) Lessor acknowledges that it is an absolute necessity for Lessee to post signs indicating Lessee's name, location, and governmental purpose and grants Lessee permission to post all such necessary signs Lessee shall make a good faith effort to ensure that such signs shall be prepared and installed in accord with Lessor's applicable rules and regulations, and in keeping with building decor, but in no event shall the total cost of such signs to Lessee exceed $200 00 Any special requirements of Lessee contrary to the above must be stated in the specifications and made a part of this lease

(i) On termination of this lease, by lapse of time or otherwise, Lessee may, within reasonable time thereafter, at its option and expense, remove from said premises any and all improvements, equipment, appliances, or other property placed or owned by it thereon, and shall deliver up said premises and property to Lessor in as good order and condition as they now are, or may be put by the Lessor, provided, however, that reasonable use, ordinary wear and tear, depreciation, damages, or destruction by fire or the elements or unavoidable casualty and repairs, and replacements, for which Lessor is obligated, are excepted

(j) If, during the term of this lease, said premises, or any portion thereof, shall be condemned for any public purpose, either party hereto shall have the option of terminating and canceling this lease upon thirty (30) days' notice to the other party of its election to do so Lessee, at its option, may elect to continue this lease and in such event the lease payments due hereunder shall be either reduced or withheld in proportion with the degree the space cannot be fully utilized by Lessee during remainder of this lease or any extension thereof

(k) It is mutually agreed between Lessor and Lessee that if said building and premises shall, during the term of this lease or previous thereto, be slightly damaged by fire or any other such cause or causes, the same shall be promptly repaired by the Lessor During the time of such repair, if the space cannot be fully utilized by Lessee, lease payments due hereunder shall be either reduced or withheld in accord with the degree of non-use But, if said building and premises be so damaged as to render said premises unfit for occupancy, then, and from the date of such damage, this lease shall cease and be void, and any and all rent and other obligations hereunder due and payable on or after the date of such damage shall be null and void Lessee shall remain liable only for rent and obligations, or any portion thereof, accruing prior to said date of damage, if Lessee has made any advance of rent or other obligations, Lessor shall promptly refund to Lessee that portion of such advance applicable to the period on and after that date If Lessor has available under his control space which will meet Lessee's needs and offers same to Lessee, Lessee may, at its option, occupy that space under the same terms and conditions of this lease Any and all reasonable and necessary costs incurred by Lessee in occupying such new lease space may be deducted from any subsequent rent payments by Lessee

(l) Lessee reserves the right to assign any agency of state government to occupy all or part of the space described herein, but covenants and agrees that it will not assign or sublet all or any part of the leased premises to any private parties (persons or corporations)

(m) In the event Lessee shall be in default in the payment of rentals or other charges hereunder, or shall otherwise breach its covenants or obligations hereunder, and shall be and remain in default for a period of thirty (30) days after the receipt of written notice from Lessor to it of such default, Lessor shall have the right and privilege of terminating this lease and declaring the same at an end, and of entering upon and taking possession of said premises, and shall have the remedies now or hereafter provided by law for recovery of rent, repossession of the premises, and damages occasioned by such default The resolution of any claim by the Lessor under this lease is subject to the dispute resolution process set out in Chapter 2260 of the Texas Government Code and any rules adopted by the Texas Senate pursuant to that chapter, as applicable

(n) In the event Lessor shall breach or be in default in the performance of any of the covenants or obligations imposed upon Lessor by this lease, and shall remain in default for a period of thirty (30) days after receipt of written notice from Lessee to it of such default, Lessee shall have the right and privilege of terminating this lease and declaring the same at an end, and shall have the remedies now or hereafter provided by law for recovery of damages occasioned by such default In lieu of a formal declaration of default and resulting termination as provided above and in special cases urged by the occupying state agency, Lessee may withhold payment of rent from Lessor until such time as the violations have been corrected If violations of this lease create an emergency situation and threaten the occupying agency's ability to use the premises, Lessee may correct all or any part of the violations and deduct the cost from rentals due Lessor Such extraordinary remedies will only be undertaken in the best interest of the State when a move following termination would be highly disruptive to Lessee or the occupying agency and detrimental to its functions

(o) The failure of Lessee or Lessor to insist in any one or more instances on a strict performance of any of the covenants of this lease shall not be construed as a waiver or relinquishment of such covenants in future instances, but the same shall continue and remain in full force and effect

(p) This agreement and each and all of its covenants, obligations, and conditions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, successors, and assigns of Lessor

(q) Lessee covenants and agrees to abide by any and all rules promulgated subsequent to commencement of this lease provided that such rules do not conflict with any provisions of this lease and do not impose any additional payments, costs, or obligations on Lessee or interfere with Lessee's quiet enjoyment of the premises Such rules shall be submitted to Lessee for consideration and comment at least thirty (30) days prior to implementation

(r) All written notice shall be delivered in person only to an authorized representative of the Lessor or Lessee or mailed via the United States Postal Service, Certified Mail, Return Receipt Requested, to the address of the Lessor or Lessee set out in this lease Notice will be deemed to have been received three (3) business days after the date of mailing

(s) Nothing in this lease shall be deemed to waive, annul, or modify the Lessee's sovereign immunity, except as otherwise provided by statute or legislation

6 APPLICATION OF THE ADA AND ARCHITECTURAL ACCESSIBILITY REQUIREMENTS

Lessor hereby certifies that at the time the leased premises become occupied by Lessee and throughout the term of the lease and any additional tenancy, Lessor will comply with all applicable provisions of the Americans with Disabilities Act of 1990, Public Law 1001-336 (42 U S C Section 12101 et seq), the Texas Architectural Barriers Act (Chapter 469 of the Texas Government Code, formerly Article 9102 of the Texas Revised Statutes) and with all other applicable state and federal architectural and structural requirements intended to allow individuals with disabilities access to all governmental programs and services offered by Lessee Lessor is solely responsible for ensuring that the premises meet all such structural requirements, including scheduling and submitting to any required inspections, paying any fees, and acquiring any licenses or permits, as applicable

7 SPECIAL TERMS AND CONDITIONS (As needed)

In the event of any conflict between the terms, provisions, duties, or obligations contained in the Texas Senate Office Space Lease and any attachments or exhibits hereto, the Texas Senate Office Space Lease shall govern absolutely and unconditionally

LESSOR

Galveston County

By [signature]
Signature

Mark A. Henry, County Judge
Title

December 11, 2012
Date

Contact Person

Mark A. Henry, County Judge

Lessor Address

722 Moody (21st)

Galveston, Texas 77550

(409) 765-2639

Area Code Telephone number

Area Code Fax number

76-6000908
Tax ID (who the check will be made out to)

Galveston County

Name Tax ID belongs to

LESSEE

THE TEXAS STATE SENATE

By [signature]
Signature

Secretary of the Senate
Title - Secretary of the Senate and/or Chairman, Administration Committee

12-18-12
Date

Contact Person

Sharon Dill
Address

Senate Purchasing
P O Box 12068
Room 525
Austin, Texas 78711

(512) 463-0222 Phone

(512) 475-3740 Fax

email sharon dill@senate state tx us

AGENDA

ITEM

#24h

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

To Be Completed By Department							
1 Date of Request 12/6/12		2 Contract Type Expense Revenue Other				3 Renewal Contract Yes / No	
4 Department Name Legal				5 Department Contact			
6 Description Lease - Representative Bonnen Calder Rd Bldg							
7 IFAS PEID No		8 IFAS Req No		9 Orgkey		10 Object Code	
11 Vendor				12 Vendor Contract No			
13 Requested Legal Review Yes / No (Explain if No)							
Expenditure Budget / Revenue Projections							
14 Fund Name	15 Fund #	16 Current Year Budgeted	17 Current Year Projected	18 Year 2 Projected	19 Year 3 Projected	20 Year 4 Projected	21 Year 5 Projected
22 Totals			-		-		-

To Be Completed By Purchasing Department		
Contract Start Date	Auto Renewal Contract? Yes / No	Bid No
Contract End Date	Contract # Issued By Purchasing.	

Approved By	Signature	Date
Department Head	Nancy Bozeman	12/6/12
Assistant Purchasing Agent	Gwen A McLane	12/6/12
County Legal	Nancy Bozeman	12/6/12

Contract listed in Budget Documentation Yes / No

County Budget Office	[illegible]	12/6/2012

Form Number

Revised 9/25/2012

State of Texas
House of Representatives
DISTRICT OFFICE LEASE CONTRACT

This lease is entered into between the County of Galveston, herein referred to as Lessor, and the Committee on House Administration of the House of Representatives of the State of Texas, herein referred to as Lessee, for the benefit of the Hon. Greg Bonnen, a Member of the House of Representatives of the State of Texas, herein referred to as Member

For and in consideration of the covenants, conditions, and provisions contained in this instrument, Lessor hereby leases to Lessee the following described property located in Galveston County, Texas The address of the leased property is

174 Calder Road, Suite 116, League City,Texas

Street Address, Suite, etc — City — Zip Code

(which includes approximately 170 square feet of floor space), with all the rights, easements, and appurtenances belonging thereto and usually had and enjoyed therewith, on the terms and condition contained herein

I

The term of this lease is for two (2) years and 0 months, beginning on the 1st day of January, 20 13 but the Lessor understands and agrees that the Lessee may cancel this lease, without penalty, if funds for its continuation are not provided for the next fiscal period or if the Member for whose benefit this lease is made ceases to be a Member of the House of Representatives

II

Lessee has the option to renew this lease for an additional period of N/A for the same monthly rental and under the same conditions, covenants, and provisions applicable under this lease during the primary term. To exercise the option, Lessee must give written notice of its election to do so to Lessor not later than 30 days before the expiration of the primary term of the lease

III

As rental for the leased premises, Lessee will pay Lessor the sum of $340.00 per month, which shall be paid solely from the funds of the House of Representatives However, the Lessor agrees that the liability of the House of Representatives to pay the rental is limited to the amount of money in the Member's operating account If the Member's account is depleted, the House of Representatives may immediately notify the Lessor in writing Until further notice, neither the House of Representatives nor the State of Texas is responsible for any rent that accrues after the date of the notice The Lessor may thereupon, terminate the lease or allow the Member to continue to occupy the leasehold on terms mutually agreeable to the Lessor and the Member

IV

The leased premises will be used by the Member of the House of Representatives named herein as an office to be used in connection with his official business as a State Representative

V

Although this lease is for the purpose of providing office space for the Member named in this instrument, no title, credits, allowances, premiums, or anything of value shall inure to the benefit of the Member at any time because of this agreement (Under Art III, Sec 18 of the Texas Constitution, neither a legislator nor his firm may contract with the State of Texas if the subject of the contract was authorized or funded by a legislature of which the individual was a member) The Member named in this lease is not related in the first degree by marriage or through blood relationship to anyone who has a financial interest, either directly or indirectly, in the property leased by the House of Representatives for this said Member Any agreement contrary to this paragraph renders the lease null and void and renders Lessor liable for the refund of all payments paid hereunder together with interest on that at 10 percent per annum, reasonable attorney's fees for the collection of that amount, and all costs incurred with said collection

VI

Either party may terminate this lease at any time for failure of the other to comply with the covenants, conditions, and provisions of the lease Also, either party may terminate this lease by providing the other party a written notice 30 days prior to date of termination

VII

The following additional covenants, and provisions are further agreed to by Lessor and Lessee

VIII

The covenants and conditions in this instrument are the full and complete terms of this lease No alterations amendments or modifications of those terms are binding unless reduced to writing and signed by the parties to the lease

County of Galveston	**December 11, 2012**
Lessor's Name (type or print)	Date
Mark Henry	
Lessor's Name (type or print)	Date
Mark A. Henry	**County Judge**
Lessor's Signature (1)	Lessor's Signatory's Title (1)
Galveston County Courthouse 722 Moody, Suite 200 Galveston,Texas	**409 766-2444**
Lessor's Address	Telephone Number
Political Subdivision	**76-6000908**
Lessor's Type of Organization (2)	Lessor's Tax ID Number (3)
G Bonnen	12-19-2012
Signature of Representative **Hon. Greg Bonnen** (4)	Date
Signature of Chairman (5)	Date

Note:

1. Must be signed by lessor or person authorized to contractually bind said individual, partnership, company or corporation

2. Lessor's type of organization (law firms, realtor firm, sole proprietorship, dental firm etc)

3. The applicable tax identification number for individual partnership, or corporation for reporting rent payments to the Internal Revenue Service

4. Member of Texas House of Representatives whose office operating account is to be charged

5. Chairman of Committee on House Administration or person authorized to sign such agreements

I, Greg Bonnen do not have an interest
Name of Member

in the described property that I have requested the Texas House of Representatives to enter into a district office lease contract Furthermore, I hereby state that I am not related in the first degree by marriage or through blood relationship to anyone who has a financial interest either directly or indirectly in the property leased by the House of Representatives for this said member If I should acquire an interest in said property, I will advise the Chair of the Committee on House Administration in writing and terminate my district office lease immediately at no expense to the House of Representatives

G.J. Bonnen
Hon. Greg Bonnen
Member's Signature

12-19-2012
Date

AGENDA ITEM #24i

NO
BACK – UP
PROVIDED

AGENDA ITEM #25a

COUNTY of GALVESTON
HUMAN RESOURCES

Katherine Branch
Assistant HR Director

Sandra Hernandez
Senior HR Analyst

Corey Jannett
Senior HR Analyst

Nicole White
HR Assistant

December 3, 2012

To Patricia Grady

From Kathy Branch

Re Commissioners' Court Agenda Item-Exemption to the 4 Pay Period Mandatory Vacancy Policy

Please submit the following item for the December 11, 2012 Commissioners' Court Agenda

Consideration of approving exemption to the 4 pay period mandatory vacancy policy for Deputy Constable (Psn #6)-Constable Pct #3 submitted by Human Resources

Off 409-770-5418 • Fax 409-770-5351
722 MOODY STREET • 3rd FLOOR • GALVESTON, TEXAS 77550

REQUEST FOR EXEMPTION TO 4 PAY PERIOD MANDATORY VACANCY POLICY

Date 12-3-12 DEPARTMENT REQUESTING EXEMPTION Constable Rose (# 3)

DATE JOB VACANT 12-3-12 4PP END DATE 1-31-13 DATE NEED FILLED Soon

JOB TITLE Deputy Constable POSITION # 2233000006

JOB POSTED Y CANDIDATE SELECTED ____ BELOW 75% N PROMOTION N

BUDGETED POSITION Y SALARY GRADE-STEP 15D SALARY $ 19,337 GRANT FUNDED N

CREATED POSITION N JOB DESCRIPTION ATTACHED Y

BRIEF SUMMARY OF JOB Performs Criminal Warrants, Civil process Service, Court bailiff, Security, & patrol duties.

JUSTIFICATION FOR EXEMPTION Short Staffed

CAN OVERTIME FILL THIS SPOT WITHOUT HIRING ADDITIONAL EMPLOYEE? N IF Y, HOW MUCH WOULD THE OVERTIME COST? $________

DO YOU ATTEST THAT YOU CANNOT DISTRIBUTE THESE RESPONSIBILITIES WITH CURRENT EMPLOYEES, MAKING THE ADDITIONAL HIRE NECESSARY? Y

RECOMMENDATION TO GRANT EXEMPTION REQUEST FROM HR DIRECTOR

RECOMMENDED ________ NOT RECOMMENDED ________

REASON NOT RECOMMENDED ________________________

SUBMITTED FOR AGENDA ✓ DATE ON AGENDA 12-11-12

APPROVED ____

DOCUMENT ATTACHED AGENDA AND BUDGET AMENDMENT

PARTIES CONTACTED TO APPEAR TO DISCUSS JUSTIFICATION FOR EXEMPTION IN CC? Y

WHO WILL APPEAR Constable Rose

Deputy Constable
Constable

JOB SUMMARY

This position performs criminal warrant and civil process service, court bailiff, court security, and patrol duties, as assigned

ESSENTIAL JOB FUNCTIONS

- Serves civil process papers, to include citations, summons, subpoenas, writs, forcible detainers, and restraining and protective orders
- Serves misdemeanor and felony warrants, makes arrests of individuals or provides backup to other agencies in making arrests
- Reviews civil papers and warrants for proper and complete information
- Serves as bailiff during court sessions, introduces judge, provides court security, and takes control and custody of prisoners
- Serves as school crossing guard
- Enforces traffic laws
- Transfers prisoners to and from county jail
- Responds to local police department calls
- Escorts Tax Office personnel to banks for deposits
- Provides assistance to citizens with disabled vehicles
- Patrols assigned areas to detect and deter crime
- Assists other law enforcement agency personnel as needed
- Able to report regularly for work and be on time
- Performs related duties

KNOWLEDGE REQUIRED BY THE POSITION

- Knowledge of civil and criminal processes
- Knowledge of departmental and county policies and procedures and federal, state, and local guidelines
- Knowledge of county geography
- Skill in the use of firearms and restraint equipment
- Skill in operating emergency vehicles
- Skill in the analysis of problems and the development and implementation of solutions
- Skill in the preparation of clear and precise administrative reports
- Skill in oral and written communication

SUPERVISORY CONTROLS

The Chief Deputy Constable assigns work in terms of general instructions The supervisor spot-checks completed work for compliance with procedures, accuracy, and the nature and propriety of the final results

GUIDELINES

Guidelines include the Texas penal code, the Code of Criminal Procedure, Texas Traffic Law, and other relevant standards and regulations These guidelines require judgment, selection and interpretation in application

COMPLEXITY/SCOPE OF WORK

- The work consists of related criminal and civil service and law enforcement duties Potentially dangerous situations contribute to the complexity of the position
- The purpose of this position is to serve criminal and civil papers and to enforce laws Success in this position contributes to the efficiency of court processes and to the enforcement of local, state and federal laws

CONTACTS

- Contacts are typically with co-workers, other law enforcement personnel, witnesses, victims, suspects, and members of the general public
- Contacts are typically to provide services, to give or exchange information, to resolve problems, or to motivate or influence persons

PHYSICAL DEMANDS/ WORK ENVIRONMENT

- The work is typically performed while sitting at a desk or table or while standing, stooping, bending, crouching or walking The employee frequently lifts light and occasionally heavy objects, climbs ladders, uses tools or equipment requiring a high degree of dexterity, distinguishes between shades of color, and utilizes the sense of smell
- The work is typically performed in an office and outdoors, occasionally in cold or inclement weather The employee is exposed to noise, dust, dirt, grease, contagious or infectious diseases and irritating chemicals Work requires the use of protective devices such as masks, goggles, gloves, etc

SUPERVISORY AND MANAGEMENT RESPONSIBILITY

None

MINIMUM QUALIFICATIONS

- Knowledge and level of competency commonly associated with completion of specialized training in the field of work, in addition to basic skills typically associated with a high school education
- Sufficient experience to understand the basic principles relevant to the major duties of the position, usually associated with the completion of an apprenticeship/internship or having had a similar position for one to two years
- Possession or ability to readily obtain a valid driver's license issued by the State of Texas for the type of vehicle or equipment operated
- Ability to meet current requirements set forth by the Texas Commission of Law Enforcement Officers Standards and Education

PAY GRADE AND FLSA STATUS

- Pay Grade 15 FLSA Status Non-exempt
- Date Created __________ Approved by ______________________
- Date Revised __________ Approved by ______________________

JOB DESCRIPTION CERTIFICATION

I certify that I have read and understand this job description and that it is an accurate description of my work

Employee's Signature	Print Name	Date

I certify that I have read and understand this job description and that it is an accurate description of this employee's work

Supervisor's Signature	Print Name	Date

Galveston County will provide equal employment opportunity for all qualified applicants and current employees without regard to race color religion ancestry or national origin genetic information disability Vietnam era and disabled veteran status, age or sex (except where age or sex is a bona-fide occupational qualification) and marital status in human resources matters including recruitment and hiring training promotion salaries and other compensation transfer and lay off or termination In the implementation of this policy we will actively seek persons for all job levels within the organization and outside the organization through promotions and recruitment from all races and genders In addition to these protected categories Galveston County complies with the anti-discrimination statutes in each of the localities in which it operates Galveston County recognizes its duty to comply with the American with Disabilities Act and when applicable the Rehabilitation Act of 1973 Contact the Human Resources Department with questions regarding ADA accommodations or discrimination issues at (409) 770-5418

AGENDA ITEM #26a

Request for Proposals for Galveston County Conservation Planning & Implementation Services

Project Description: The Galveston County Parks & Senior Services Department is requesting proposals for design and project implementation services for three properties in West Galveston The selected organization will develop a park master plan, encompassing all three properties, and develop & implement a priority project on one or more of these properties

The park master plan will include an inventory of plant and animal species and map showing habitat areas within each property The plan will also include a priority list and cost estimates for habitat improvement projects over the next 5 years The plan will also identify and map areas for recreational amenity development in all three properties, which includes restrooms, access roads & parking areas, trails & boardwalks, and interpretation sites The plan will provide cost estimates for amenity development & infrastructure improvements, as well as an implementation strategy for the next 5 years

The McAllis Point Preserve plan, drafted in 2009, will be updated and a priority project will be implemented as part of this project The proposal should include hourly rates for staff time, listing of relevant staff certifications & qualifications, and brief descriptions & references for at least three coastal habitat management projects completed by the organization in the last 10 years

The County is seeking to enter into agreement with 1 organization This organization may sub-contract services to another organization for specific implementation tasks, however, any potential subcontractor rates, qualifications/certifications, and references must be submitted, at the time of proposal submission, to be considered for this project Responses received will be evaluated and ranked by Galveston County and USFWS representatives The County will then enter into negotiations with the highest ranked respondent with the objective of entering into contract services at a mutually agreeable cost All costs involved with preparing a submittal, are the responsibility of the respondent Those organizations that are able to leverage additional funding or in-kind services for project implementation shall be awarded additional points on the evaluation The chosen organization shall enter into contract with Galveston County, and agreed-upon project expenses shall be reimbursed to the organization by Galveston County

Estimated Project Schedule:

Opening date for RFP *TBD*

Proposal evaluation *1 month TBD*

Professional services agreement negotiations *1-2 months TBD*

Commissioner Court review & award contract *TBD*

Completion of master plan prior to July 2013

Completion of habitat improvement project prior to July 2013

*Note With the exception of the time and date to open the RFP, the above schedule is an estimate, and may be modified as schedules and conditions warrant

Existing Conditions:

McAllis Point Preserve consists of approximately 60 acres of undeveloped land Galveston CAD Property ID# R510763

Ostermayer Bayou Preserve consists of approximately 88 acres of undeveloped land Galveston CAD Property ID#s R294853, R117228, R291174, R291173

Pocket Park #4 consists of approximately 75 acres of undeveloped land and beach frontage Galveston CAD Property ID#s R303486, R117444.

Expected Services: The organization is expected to work closely with Galveston County and USFWS staff to ensure that project objectives are met, park master plan information is accurate, and management strategies are realistic The organization will also seek USFWS and TPWD coastal biologist review of site inventory and management strategies prior to delivering final products to the County

The master plan shall include a general plant and animal inventory of all three properties This inventory shall note any endangered and invasive species present on the properties, as well as provide a key for identification The plan will identify and map different habitat areas within the three properties, and identify areas better suited for low impact recreational amenity development The plan shall provide management strategies and development timelines for each habitat area, which includes estimated costs for each strategy The plan will include conceptual designs for recreational amenities, such as restrooms, access points & parking areas, trails & boardwalks, and interpretation sites, and estimates will be provided for amenities and infrastructure improvements All recreational amenity designs shall be in accordance with relevant ADA, TAS, and TXDOT standards Amenity designs should be based on earth-friendly development, and shall include techniques for low impact development, water & energy conserving utilities, use of recycled building materials, and minimal human footprint

The organization will work with Galveston County Parks & Senior Services staff to create a habitat improvement project on one or more of the three properties, utilizing volunteers and wildlife experts from the community The organization will be responsible for presenting a project proposal to Galveston County staff at least two months prior to the proposed project implementation date The project is to be completed no later than July 2013 The proposal shall outline management objectives, materials needs, project costs, marketing strategies, volunteer management strategies, site logistics, and primary contacts for the project The organization will be responsible for confirming that all relevant county, state & federal agency permit requirements are met prior to project implementation All eligible costs associated with the habitat improvement project will be the responsibility of the organization and will be reimbursed by the county upon review and acceptance of the proposal Those organizations that are able to supply or acquire their own project implementation tools and supplies shall be awarded additional points on the evaluation

Deliverables: The organization shall provide the county with the following prior to the close of contract in July 2013

A Three, color, hard copies of the Park Master Plan and electronic files for the plan in Microsoft Word The electronic files shall include copies of all digital photos and images saved in jpeg or pdf format The plan shall contain review & approval page, which includes signatures from a USFWS Coastal Biologist, TPWD Coastal Biologist, and Galveston County Park Planner & Natural Resource Manager

B One 24" x 36" or larger framed & backed, color, Park Master Plan map, which shows all three properties and general amenity and habitat locations An electronic copy of the map will be provided in a pdf format

C An electronic template for an interpretive flier, which outlines areas and information regarding endangered, rare, and/or critical habitat and species The flier shall also contain a general site orientation map for all three properties The flier must be delivered in a Microsoft Publisher or approved equivalent program

D Electronic copies of all marketing materials developed for the volunteer conservation project. Files must be delivered in Microsoft Office or pdf format

AGENDA
ITEM
#27a

NO
BACK – UP
PROVIDED

AGENDA ITEM #27b

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT

Grant Award/Agreement

Agenda Date	12/11/12	**Department**	County Clerk/Elections	
Grant Agency	State of Texas/Secretary of State		**Funding Source**	Help America Vote Act (HAVA)
Grant Start Date	8/1/2012	**Program Year**	**Renewal Yes/No** No	**Last Billing Date**
Grant End Date	7/31/2013	**Program End Date**	**Award/Agreement No**	93 617
Description	Provides software for Beta testing online ballots			
Grant Org Key			**Grant Type**	Reimbursement

Expenditure Type	Grant (Other) Funded	County Funded	Total Budget
Salary & Benefit			-
Non-Labor	$24,500 00		24,500 00
Indirect/Admin Costs			-
Not Yet Determined			-
Totals	24,500 00	-	24,500 00

	FY12	FY13	FY14	FY15	After FY15	Total
County Funding Requested	-	-				-
County Funding Budgeted	0					
County Funding Source						

Approved By:	Signature	Date
Grants Manager	Cynthia Payne	12/5/12
Director of Finance	[illegible]	12/5/2012

Form Number

BUDGET

Maximum Grant Amount:	$25,000.00
Current Budget Amount:	$24,500.00
Expended to Date:	$0.00
Total Available for Allocation:	$25,000.00

	Category	Description	Cumulative Expenditures	Budget
1)	Contractual	Purchase of LiveBallot software to provide accessible sample ballots on o.	$0.00	$24,500.00
2)	Add Line Item		$0.00	$0.00
3)	Add Line Item		$0.00	$0.00
4)	Add Line Item		$0.00	$0.00
5)	Add Line Item		$0.00	$0.00
6)	Add Line Item		$0.00	$0.00
7)	Add Line Item		$0.00	$0.00

Requested Budget Amount:	$24,500.00
Vendor Discount:	$0.00
Requested Funding:	$24,500.00

NOTE Click on the **Save** button below to obtain more rows.

TERMS AND CONDITIONS

✓ As the duly authorized representative for the county, by submitting this budget the county accepts the terms and conditions of the grant funding

8/31/2012 1:57:09 PM	Grant Application Submittal In Progress by Mark Henry
8/31/2012 2:05:27 PM	Grant Application Submittal In Progress by Mark Henry
8/31/2012 2:05:27 PM	* Comment by Mark Henry
	Below is a statement of the Scope of Work sent to four vendors we approached in considering this project. Only one of them provided a responsive bid that met the scope and that had an acceptable cost. The Scope of Work follows: Scope of Work: Adding the following functionality to the GalvestonVotes.org Website â€¢ Allowing a voter to visit our site and enter key identifying information (e.g., Registered Address, VUID#) â€¢ Getting back the following options - The location of the nearest polling location to their address of record - A sample accessible copy of the ballot they will be voting in the election (This would be a â€œdumbâ€ copy of their ballot, NOT something they could fill out online and submit. It would be, however, a ballot that shows all the contests they will be able to vote on in the election)
8/31/2012 2:06:08 PM	Grant Application Submitted by Mark Henry
8/31/2012 2:06:08 PM	* Comment by Mark Henry
	Below is a statement of the Scope of Work sent to four vendors we approached in considering this project. Only one of them provided a responsive bid that met the scope and that had an acceptable cost. The Scope of Work follows: Scope of Work: Adding the following functionality to the GalvestonVotes.org Website â€¢ Allowing a voter to visit our site and enter key identifying information (e.g., Registered Address, VUID#) â€¢ Getting back the following options. - The location of the nearest polling location to their address of record - A sample accessible copy of the ballot they will be voting in the election (This would be a â€œdumbâ€ copy of their ballot, NOT something they could fill out online and submit. It would be, however, a ballot that shows all the contests they will be able to vote on in the election)
9/13/2012 5:20:35 PM	Grant Application Approved by Dan Glotzer
9/14/2012 8:16:20 AM	Grant Application Approved by Kimberley Moore
9/14/2012 11:41:45 AM	Grant Application Approved by Keith Ingram

DEMOCRACY LIVE
VOTER INFORMATION TECHNOLOGIES

Microsoft

Proposal to Galveston County

to implement

Accessible Voter-Specific Sample Ballot

From

DEMOCRACY LIVE
VOTER INFORMATION TECHNOLOGIES

In partnership with Microsoft

Galveston County

August 29

2012

LiveBallot

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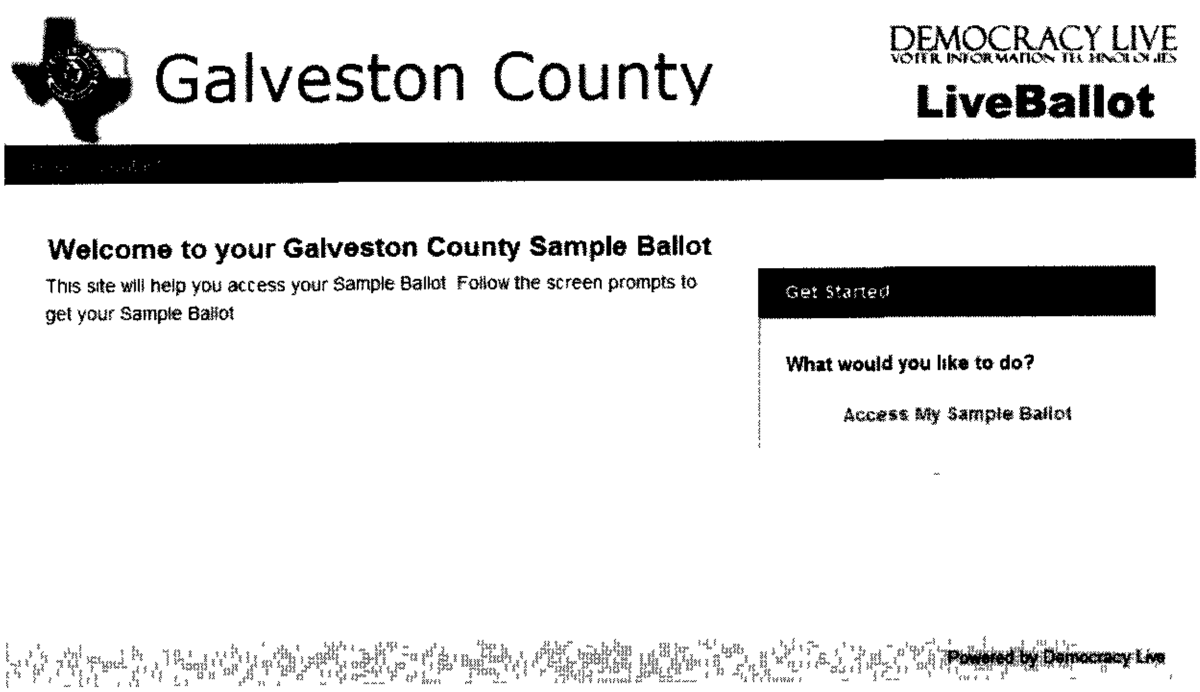
We are pleased to submit our proposal to Galveston County, Texas, to implement an accessible voter specific Sample Ballot and specific voter precinct/vote center facility lookup module

LiveBallot sample balloting tool has been reviewed and approved by the Department of Health and Human Services for disability funding. Working with the University of Washington Center on Technology and Disabilities, as well as members of the Council for the Blind, LiveBallot has been approved for both WCAG 2 0 and Section 508 compliance



Scope of Project

- Allow Galveston County voters to visit county website and enter key identifying information (e g., Registered Address, DOB, last 4 SS#, VUID#) to access their voter-specific sample ballot **without** online marking capabilities.

- Allow Galveston Voter to access The location of the nearest polling location to their address of record.

- Allow Galveston visually impaired literacy or ESL challenged voters to access and listen to the candidate names and referendum on the sample ballot. LiveBallot works seamlessly with most COTS screen readers.

LiveBallot

Includes· **Accessible voter-specific sample ballot (to be implemented 2012 General)**

Includes. **One-Time set-up fee & license**

Hosting and deployment, 8 hours on-site training and Project Management, Subscription and Support (including version upgrades)

Cost

Proposal Prices

Includes ADA accessible Sample Ballot module and voter specific Precinct/Vote Center facility lookup module

Includes One-Time set-up fee & license

Total cost $24,500

Contact

Mark Carter

Regional Director

Democracy Live

mark@democracylive com

720-273-9166

DEMOCRACY LIVE, INC.
LiveBallot Subscription Agreement

This Subscription Agreement ("***Agreement***") is made and entered into as of September 17 , 2012 (the "***Effective Date***"), between Democracy Live aka Live Ballot Inc., a Nevada corporation with offices at 2900 NE Blakely Seattle, WA ("***Democracy Live***") and County of Galveston, with offices at 600 59th Street, Galveston, TX ("***State***"), each a "***Party***" and collectively, the "***Parties***."

1. Subscription, Delivery and License

1 1 Subscription Subject to the terms of this Agreement, Democracy Live will provide to County of Galveston a hosted, Web-based accessible sample ballot delivery system ("***LiveBallot***") as set forth in this Agreement and the documentation for LiveBallot system as described in Attachment A

1 2 Delivery After both parties execute this Agreement, Democracy Live will deploy LiveBallot, the Documentation and all access information (which includes a user name and password) to allow County of Galveston to access LiveBallot

1 3 License Subject to the terms of this Agreement, Democracy Live hereby grants County o Galveston a limited, non-exclusive, non-transferable, non-sub-licensable license to use LiveBallot

2. Fees

2 1 Fees County will pay to Democracy Live the set-up and Annual Subscription Fees (defined in Attachment B) in accordance with Attachment B - Fee Schedule

2 2 Payment Terms County of Galveston will make all payments under this Agreement within thirty (30) days after the date of the invoice by Democracy Live Any late, undisputed amounts will bear a late fee in the amount of 1% per month

3. LiveBallot Annual Subscription - Support and Maintenance

3 1 Democracy Live will provide set-up and support for the LiveBallot tool for each election for the length of this Agreement

3 2 County of Galveston will be trained to independently set-up LiveBallot for each election

3 3 Democracy Live will provide periodic version updates and upgrades to LiveBallot

IN WITNESS WHEREOF, the authorized representatives of the Parties have executed this Agreement and all Attachments hereto as of the Effective Date.

Democracy Live:

DEMOCRACY LIVE, INC

AKA LIVE BALLOT INC.

By: ______________________

Name: Bryan D. Finney

Title: President

December 15, 2011

Customer :

COUNTY OF GALVESTON

By: [signature] ______________________

Name **Mark Henry**

Title. **County Judge**

Attachment A – LiveBallot

This Attachment A is part of LiveBallot Subscription Agreement ("***Agreement***") between Democracy Live and the County of Galveston and it describes LiveBallot, and Documentation to be provided under the Agreement

A1. LiveBallot. The Democracy Live LiveBallot is comprised of the following subcomponents:

- Access to hosted LiveBallot, a hosted, Web-based accessible sample ballot delivery system.
- LiveBallot Link. A link shall be placed on the County of Galveston Elections Web site that links to the County-Specific LiveBallot Sample Ballot tool. LiveBallot will have the same look and feel as the County of Galveston Web site.

A2. Documentation:

The Documentation packet for Democracy Live LiveBallot is comprised of the following subcomponents:

- Technical Manual, including FAQ's and Administrative instructions will be provided
- User Guide· "How To Use LiveBallot" Instruction Guide will be made available to County of Galveston
- Release Notes- County of Galveston will be notified of version updates and new releases. Release Notes will be available on the State/County LiveBallot Admin Page.

Attachment B – Fee Schedule

This Attachment B is part of LiveBallot Subscription Agreement ("***Agreement***") between Democracy Live and the County of Galveston and it sets forth the fees under the Agreement.

B1. Fees

(a) LiveBallot One-time Set-up Fee. LiveBallot One-time Set-up Fee for this County under this Agreement will be **$24,500.** Democracy Live will invoice the County of Galveston for this fee when all Parties sign this Agreement and LiveBallot is delivered and accepted by the County

(b) Election Subscription Fee, including Support and Maintenance. For each year in which this agreement is in effect, the County of Galveston will pay an Election Subscription based on pricing of $1.00 per UOCAVA ballot downloaded per voter and submitted through the LiveBallot system if County of Galveston chooses to utilize the LiveBallot UOCAVA module. It is agreed by the parties that for the calendar years 2012 through 2014, the $1 00 per download fee shall be waived. The Election Subscription Fee will be invoiced 30 days following each election.

Attachment C –Support and Maintenance

This Attachment C is part of LiveBallot Subscription Agreement ("***Agreement***") between Democracy Live and the County of Galveston describes Democracy Live's standard Support and Maintenance services.

1. Support and Maintenance Services:

1.1 After payment of the Annual Subscription Fee and during the term of the Annual Subscription, Democracy Live will perform the Support and Maintenance as specified in this Attachment C and under the terms of the Agreement.

1.2 County may contact the Democracy Live support contacts via telephone and email support.

2. County Responsibilities:

2.1 County must provide Democracy Live with reasonable access to all necessary personnel to answer questions regarding Errors and other reported problems

2.2 County will document and promptly report all LiveBallot issues to Democracy Live by submitting a Support Request with enough detail to permit Democracy Live to reproduce the Error County will assist Democracy Live with recreating and diagnosing each Error

3. Response Times:

3.1 Democracy Live will use the following severity levels to categorize Support Requests and provide Support and Maintenance to County. Democracy Live provided 24/7 Toll Free support during elections.

3.2 Election Period Democracy Live will provide Support and Maintenance on a 24/7 basis. If a reported error impacts the essential functions of an election, Democracy Live will use commercially reasonable efforts to work around the clock as long as meaningful progress can be made or until a resolution is found

4. Contacts

4.1 County Contact Persons County of Galveston will designate one person to act as the single point of contact for all Support Requests, and one additional person to serve in a back-up capacity The County contact person will handle all communication with Democracy Live support personnel and will be relied upon by Democracy Live for key decisions

4.2 Democracy Live Support Contacts Contact with Democracy Live support personnel will be either by telephone or e-mail at the contact points set forth below County Support Requests will include all information reasonably requested by Democracy Live support personnel sufficient to enable them to reproduce the condition giving rise to the call

5. Maintenance Releases:

5.1 Maintenance Releases. During the term of the Annual Subscription, Democracy Live will provide Maintenance Releases, which are provided generally to all customers, where these Maintenance Releases are not sold as a separate Upgrade, service or product version Each Maintenance Release will be subject to the terms of the Agreement

5.2 Implementation. Democracy Live is responsible for implementing and testing all Web-based Maintenance Releases.

6. General

6.1 License Fee, Including Support and Maintenance. County of Galveston will pay the Initial License Fee as specified in Attachment B of the Agreement

6.2 Term The initial term for the Annual, including Support and Maintenance, will be two years, commencing on the Effective Date of the Agreement, and will renew automatically on each Anniversary of the Effective Date, provided that County may terminate the License Fee by notifying Democracy Live in writing at least sixty (60) days in advance of the renewal date. Democracy Live may suspend or terminate the Annual Subscription if County does not pay the Fees when due. The Annual Subscription, including Support and Maintenance, will terminate if the Agreement expires or is terminated.

Attachment D – Notice and Relationship Managers

This Attachment D is part of LiveBallot Subscription Agreement ("***Agreement***") between Democracy Live and the County of Galveston sets forth the notice contacts and Relationship Managers of the Parties under the Agreement

For Democracy Live:	**For County :**
Address: Democracy Live 2900 NE Blakely Seattle, WA 98105	Address
Telephone 425-557-5950 Fax 425 557-5956	Telephone: Fax:
Relationship Manager: Tim Manion 207-778-1167 tim@democracylive com	Relationship Manager

AGENDA ITEM #27c

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT

Grant Award/Agreement

Agenda Date	12/11/12	**Department**	Juvenile Justice		
Grant Agency	Regional Juvenile Mental Health Services/State Criminal Justice Planning		**Funding Source**	H-GAC/Juvenile Mental Health Services Project	
Grant Start Date	9/1/2012	**Program Year**	**Renewal Yes/No** No	**Last Billing Date**	
Grant End Date	8/31/2013	**Program End Date** 8/31/13	**Award/Agreement No**	2606701	
Description	Provides for psychological exams for juveniles				
Grant Org Key			**Grant Type**	Reimbursement	

Expenditure Type	**Grant (Other) Funded**	**County Funded**	**Total Budget**
Salary & Benefit			-
Non-Labor	$14,000 00		14,000 00
Indirect/Admin Costs			-
Not Yet Determined			-
Totals	14,000 00	-	14,000 00

	FY12	**FY13**	**FY14**	**FY15**	**After FY15**	**Total**
County Funding Requested	-	-				-
County Funding Budgeted	0					
County Funding Source						

Approved By	**Signature**	**Date**
Grants Manager		12/5/12
Director of Finance		12/5/2012

Form Number

Pagan, Cynthia

2606701

From egrants@governor state tx us
Sent. Wednesday, September 05, 2012 3 12 PM
To: Steele, Jack, Mahood, Jim, Haussler, Nancy
Cc: McGallion, Madeline, Mahood, Jim, Smith, Larry
Subject: eGrants Notification of OOG Grant Award for Grant Number 2606701

It is a pleasure to inform you that your application for funding has been awarded!

The Office of the Governor (OOG) is working to ensure that communities throughout the state receive the resources to make Texas a safer place by creating and supporting programs that protect people from crime, reduce the number of crimes committed, and promote accountability, efficiency, and effectiveness within the criminal justice system. Your project contributes to these efforts.

See the instructions below for specific information about activating your award. Thank you for your work and best wishes for a successful project.

Instructions for Activating Your Grant

To activate your agency's grant, the Authorized Official should log on to eGrants at https://eGrants.governor.state.tx us
and go to the 'My Home' page. In the 'Project Status' column, locate the application(s) marked 'Pending Acceptance of Award'. Click on the grant number and proceed to the 'Accept Award' tab. At the bottom of this page you may click the appropriate tab to 'Accept' or 'Decline' the award for your grant.

11-29-12

Attachment A Contractor's Proposal for Galveston County

Houston-Galveston Area Council / Juvenile Mental Health Services Project, SF421 #26067-01

County: Galveston

Notes and Directions

The cells shaded in green include the amounts provided to H-GAC for each category by your county
If the amounts shaded in green have changed for your county, contact Jim Mahood at 832-681-2511
The cells shaded in pink are where the amounts are entered for anticipated # of units to be contracted (to the nearest quarter hour)
It is not necessary to have a number in each category
The Overall Total does not have to match the limit exactly, so long as it does not exceed the amount as entered in cell H14
If the variance number turns red it will be necessary to reduce the number of assessments or counseling hours

Complete the spreadsheet below to calculate contracted amounts per category:

	Assessment Services		**Counseling Services**				
	# Individuals Receiving Assessment Services	Cost per Assessment	# Hours for Individual Therapy and Counseling	Cost per Hour	# Hours for Group Therapy and Counseling	Cost per Hour per Individual	Variance from Target Amount
	37.00	$375.00		$75.00		$25.00	
Totals.	$13,875.00		$0.00		$0.00		$125.00
Overall Total	*$13,875.00*						

The cost of providing services as described above cannot exceed **$14,000.00**

HOUSTON-GALVESTON AREA COUNCIL
GENERAL CONTRACT PROVISIONS

This Intergovernmental Agreement is made and entered into this 1st day of September, 2012, by and between the **Houston-Galveston Area Council**, hereinafter referred to as **H-GAC**, having its principal place of business at 3555 Timmons Lane, Suite 120, Houston, Texas 77027 and **Galveston County Juvenile Probation Department**, hereinafter referred to as the Contractor or Service Provider, having its principal place of business at 6101 Attwater Avenue, Texas City, Texas 77590

WITNESSETH:

WHEREAS, H-GAC hereby engages the Contractor to perform certain services in accordance with the specifications of the Agreement,

WHEREAS, H-GAC is responsible for closely monitoring the Service Provider and the exercise of reasonable care to enforce all terms and conditions of the grant Service Provider agrees to fully cooperate in the monitoring process,

WHEREAS, the Contractor has agreed to perform such services in accordance with the specifications of the Agreement,

NOW, THEREFORE, H-GAC and the Contractor do hereby agree as follows

ARTICLE 1 LEGAL AUTHORITY

The Contractor warrants and assures H-GAC that it possesses adequate legal authority to enter into this Agreement. The Contractor's governing body, where applicable, has authorized the signatory official(s) to enter into this Agreement and bind the Contractor to the terms of this Agreement and any subsequent amendments hereto

ARTICLE 2 APPLICABLE LAWS

The Contractor agrees to conduct all activities under this Agreement in accordance with all applicable rules, regulations, directives, standards, ordinances and laws in effect or promulgated during the term of this Agreement Such standards and laws shall include, to the extent applicable, the Uniform Grant Management Standards (UGMS) promulgated by the State of Texas and the state and federal statutes referenced therein.

All licenses, legal certifications, or inspections required for the services, facilities, equipment, or materials, and all applicable state and federal laws and local ordinances, must be complied with by the Service Provider Failure to comply with this requirement shall be treated as a default

ARTICLE 3 INDEPENDENT CONTRACTOR

The execution of this Agreement and the rendering of services prescribed by this Agreement do not change the independent status of H-GAC or the Contractor No provision of this Agreement or act of H-GAC in performance of the Agreement shall be construed as making the Contractor the agent, servant or employee of H-GAC, the State of Texas or the United States Government Employees of the Contractor are subject to the control and supervision of the Contractor The Contractor is solely responsible for employee payrolls and claims arising therefrom The Contractor shall notify H-GAC of the threat of lawsuit or of any actual suit filed against the Contractor pertaining to this Agreement or which would adversely affect the Contractor's ability to perform services under this Agreement

ARTICLE 4 WHOLE AGREEMENT

The General Provisions, Special Provisions and Attachments, as provided herein, constitute the complete agreement between the parties hereto, and supersede any and all oral and written agreements between the parties relating to matters herein Except as otherwise provided herein, this Agreement cannot be modified without written consent of the parties

ARTICLE 5 SCOPE OF SERVICES

The services to be performed by the Contractor are outlined in the Special Provisions of this Agreement

ARTICLE 6 PERFORMANCE PERIOD

This Agreement shall be performed during the period which begins September 1, 2012 and ends August 31, 2013

ARTICLE 7 REPORTING REQUIREMENTS

Reporting requirements are set forth in the Special Provisions of this Agreement If the Contractor fails to submit to H-GAC in a timely and satisfactory manner any report required by this Agreement, or otherwise fails to satisfactorily render performances hereunder, H-GAC may withhold payments otherwise due and owing the Contractor If H-GAC withholds such payments, it shall notify the Contractor of its decision and the reasons therefor Payments withheld pursuant to this Article may be held by H-GAC until such time as the delinquent obligations for which funds are withheld are fulfilled by the Contractor The Contractor's failure to timely submit any report may also be considered cause for termination of this Agreement.

ARTICLE 8 PAYMENTS

The Contractor agrees that payments are predicated upon properly documented and verified proof of performance delivered and costs incurred by the Contractor in accordance with the terms of this Agreement and shall be paid in accordance with the Compensation and Method of Payment in the Special Provisions

ARTICLE 9 NON FUNDING CLAUSE

Each payment obligation of H-GAC created by this Agreement is conditioned upon the availability of state or federal funds appropriated or allocated for the payment of such obligations H-GAC shall not be otherwise obligated or liable for any future payments due or for any damages as a result of interruption of payment or termination under this Article If sufficient State or Federal funds are not allocated or otherwise available from H-GAC, Contractor shall have no further obligation to perform its duties under this contract

ARTICLE 10 INSURANCE

The Contractor shall maintain insurance coverage for work performed or services rendered under this Agreement as specified in the Special Provisions

ARTICLE 11 REPAYMENTS

The Contractor understands and agrees that it shall be liable to repay and shall repay upon demand to H-GAC any amounts determined by H-GAC, its independent auditors, or any agency of state or federal government to have been paid in violation of the terms of this Agreement

ARTICLE 12 SUBCONTRACTS

Except as may be set forth in the Special Provisions, the Contractor agrees not to subcontract, assign, transfer, convey, sublet or otherwise dispose of this Agreement or any right, title, obligation or interest it may have therein to any third party without prior written approval of H-GAC

The Contractor acknowledges that H-GAC is not liable to any subcontractor(s) of the Contractor

The Contractor shall ensure that the performance rendered under all subcontracts shall result in compliance with all the terms and provisions of this Agreement as if the performance rendered was rendered by the Contractor

ARTICLE 13 AUDIT

As a recipient of state or federal assistance through this Agreement, the Contractor acknowledges that it is subject to the Single Audit Act of 1996, P L 98-502, (hereinafter referred to as Audit Act), OMB Circular No A-133, and the State of Texas Single Audit Circular incorporated in UGMS

The Contractor shall have an audit made in accordance with the Single Audit requirements of the most recently adopted UGMS and OMB Circular A-133 for any of its fiscal years in which Contractor expends more than $500,000 in state or federal financial assistance

The Contractor will provide H-GAC a copy of the single audit, including management letter and reporting package required by federal and state rules, within thirty (30) days after receipt of the auditor's report, or nine months after the end of the audit period

H-GAC reserves the right to conduct or cause to be conducted an independent audit of all funds distributed under this Agreement which may be performed by the local government audit staff, a certified public accountant firm, or other auditors as designated by H-GAC Such audit will be conducted in accordance with state law, regulations, and policy, and generally accepted auditing standards and established procedures and guidelines of the reviewing or audit agency(ies)

The Contractor understands and agrees that the Contractor shall be liable to H-GAC for any costs disallowed or overpayment as a result of audit or inspection of records kept by the Contractor on work performed under this Agreement

ARTICLE 14 EXAMINATION OF RECORDS

The Contractor shall maintain during the course of the work, complete and accurate records of all of the Contractor's costs and documentation of items which are chargeable to H-GAC under this Agreement H-GAC, through its staff or designated public accounting firm, the State of Texas and the United States Government, shall have the right at any reasonable time to inspect, copy and audit those records, on or off the premises, by authorized representatives of its own or any public accounting firm selected by it. The right of access to records is not limited to the required retention period, but shall last as long as the records are retained Failure to provide access to records may be cause for termination of the Agreement The records to be maintained and retained by the Contractor shall include (without limitation) (1) personnel and payroll records, including social security numbers and labor classifications, accounting for total time distribution of the Contractor's employees working full or part time on the work, as well as cancelled payroll checks, signed receipts for payroll payments in cash, or other evidence of disbursement of payroll payments, (2) invoices for purchases, receiving and issuing documents, and all other unit inventory records for the Contractor's stocks or capital items, and (3) paid invoices and cancelled checks for materials purchased and for subcontractors' and any other third party charges

The Contractor further agrees to include in all its subcontracts permitted pursuant to Article 12 hereof, a provision to the effect that the subcontractor agrees that H-GAC and its duly authorized representatives shall, until the expiration of three (3) years after final payment under the subcontract or until all audit findings have been resolved, have access to and the right to examine and copy any directly pertinent books, documents, papers, invoices and records of such subcontractor involving transactions relating to the subcontract

ARTICLE 15 RETENTION OF RECORDS

The Contractor shall maintain all records pertinent to this Agreement, including but not limited to those records enumerated in Article 14, and all other financial, statistical, property, participant records, and supporting documentation for a period of no less than three (3) calendar years from the later of the date of acceptance of the final contract closeout or the date of the final audit required under Article 13 of this Agreement. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the retention period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three (3) year period, whichever is later

ARTICLE 16 CHANGES AND AMENDMENTS

Any alterations, additions, or deletions to the terms of this Agreement which are required by changes in federal law or regulations are automatically incorporated into this Agreement without written amendment hereto, and shall become effective on the date designated by such law or regulation, provided, if the Contractor may not legally comply with such change, the Contractor may terminate its participation herein as authorized by Article 17

The Contractor's Authorized Official, or his/her designee, is hereby authorized to accept funding for additional services, which is hereby incorporated into this contract by this reference for all purposes Such changes that are mutually agreed upon by and between H-GAC and the Contractor in writing shall be incorporated into this Agreement

ARTICLE 17 TERMINATION PROCEDURES

The Contractor acknowledges that this Agreement may be terminated under the following circumstances

A Convenience

H-GAC may terminate this Agreement in whole or in part without cause at any time by written notice by certified mail to the Contractor whenever for any reason H-GAC determines that such termination is in the best interest of H-GAC Upon receipt of notice of termination, all services hereunder of the Contractor and its employees and subcontractors shall cease to the extent specified in the notice of termination. In the event of termination in whole, the Contractor shall prepare a final invoice within thirty (30) days of such termination reflecting the services actually performed which have not appeared on any prior invoice Such invoice shall be satisfactory to the Executive Director or his designee H-GAC agrees to pay the Contractor, in accordance with the terms of the Agreement, for services actually performed and accruing to the benefit of H-GAC, less payment of any compensation previously paid.

The Contractor may cancel or terminate this Agreement upon thirty (30) days written notice by certified mail to H-GAC The Contractor may not give notice of cancellation after it has received notice of default from H-GAC In the event of such termination prior to completion of the Agreement provided for herein, H-GAC agrees to pay for work actually performed and invoiced in accordance with the terms of this Agreement, less payment of any compensation previously paid

B Default

H-GAC may, by written notice of default to the Contractor, terminate the whole or any part of the Agreement in any one of the following circumstances

(1) If the Contractor fails to perform the services herein specified within the time specified herein or any extension thereof, or

(2) If the Contractor fails to perform any of the other provisions of this Agreement for any reason whatsoever, or so fails to make progress or otherwise violates the Agreement that completion of the services herein specified within the agreement term is significantly endangered, and in either of these two instances does not cure such failure within a period of ten (10) days (or such longer period of time as may be authorized by H-GAC in writing) after receiving written notice by certified mail of default from H-GAC

In the event of such termination, all services of the Contractor and its employees and subcontractors shall cease and the Contractor shall prepare a final invoice reflecting the services actually performed pursuant to the Agreement which have not appeared on any prior invoice Such invoice must be satisfactory to the Executive Director of H-GAC or his designee H-GAC agrees to pay the Contractor, in accordance with the terms of this Agreement, for services actually performed and accruing to the benefit of H-GAC as reflected on said invoice, less payment of any compensation previously paid and less any costs or damages incurred by H-GAC as a result of such default, including an amount agreed to in writing by H-GAC and the Contractor to be necessary to complete the services herein specified, in addition to that which would have been required had the Contractor completed the services herein specified

ARTICLE 18 SEVERABILITY

All parties agree that should any provision of this Agreement be determined to be invalid or unenforceable, such determination shall not affect any other term of this Agreement, which shall continue in full force and effect

ARTICLE 19 COPYRIGHTS

The state or federal awarding agency and H-GAC reserve a royalty-free, nonexclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for state or federal government or H-GAC purposes

(a) The copyright of all maps, data, reports, research or other work developed under this Agreement, and

(b) Any copyrights or rights of use to copyrighted material which the Contractor purchases with funding under this Agreement All such data and material shall be furnished to H-GAC on request

ARTICLE 20 OWNERSHIP OF MATERIALS

Except as may be specified in the Special Provisions, all data, reports, research, etc , developed by the Contractor as a part of its work under this Agreement shall become the property of H-GAC upon completion of this Agreement, or in the event of termination or cancellation hereof, at the time of payment under ARTICLE 8 for work performed All such data and material shall be furnished to H-GAC on request

ARTICLE 21 FORCE MAJEURE

To the extent that either party to this Agreement shall be wholly or partially prevented from the performance within the term specified of any obligation or duty placed on such party by reason of or through strikes, stoppage of labor, riot, fire, flood, acts of war, insurrection, accident, order of any court, act of God, or specific cause reasonably beyond the party's control and not attributable to its neglect or nonfeasance, in such event, the time for the performance of such obligation or duty shall be suspended until such disability to perform is removed Determination of force majeure shall rest solely with H-GAC

ARTICLE 22 NON-DISCRIMINATION AND EQUAL OPPORTUNITY

The Contractor agrees to comply with all federal statutes relating to nondiscrimination These include but are not limited to (a) Title VI of the Civil Rights Act of 1964 (P L 88-352) which prohibits discrimination on the basis of race, color or national origin, (b) Title IX of the Education Amendments of 1972, as amended (20 U S C §§ 1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex, (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U S C § 794), which prohibits discrimination on the basis of handicaps and the Americans with Disabilities Act of 1990, (d) the Age Discrimination Act of 1974, as amended (42 U S C §§ 6101-6107), which prohibits discrimination on the basis of age, (e) the Drug Abuse Office and Treatment Act of 1972 (P L 92-255), as amended, relating to nondiscrimination on the basis of drug abuse, (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P L 91-616), as amended, relating to the nondiscrimination on the basis of alcohol abuse or alcoholism, (g) §§ 523 and 527 of the Public Health Service Act of 1912 (42 U S C 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records, (h) Title VIII of the Civil Rights Act of 1968 (42 U S C § 3601 et seq), as amended, relating to nondiscrimination in the sale, rental or financing of housing, (I) any other nondiscrimination provisions in any specific statute(s) applicable to any Federal funding for this Agreement, and (j) the requirements of any other nondiscrimination statute(s) which may apply to this Agreement

ARTICLE 23 CONFLICT OF INTEREST

No officer, member or employee of the Contractor or subcontractors, no member of the governing body of the Contractor, and no other public officials of the Contractor who exercise any functions or responsibilities in the review or approval of this Agreement, shall participate in any decision relating to this Agreement which affects his or her personal interest, or shall have any personal or pecuniary interest, direct or indirect, in this Agreement

ARTICLE 24 POLITICAL ACTIVITY; LOBBYING

No funds provided under this Agreement may be used in any way to attempt to influence in any manner a member of Congress to favor or oppose any legislation or appropriation by Congress, or for lobbying with state or local legislators The Contractor, if a recipient of federal assistance exceeding $100,000 through an H-GAC subcontract, will comply with section 319, Public Law 101-121 (31 U S C 1352)

ARTICLE 25 SECTARIAN INVOLVEMENT PROHIBITED

The Contractor shall ensure that no funds under this Agreement are used, either directly or indirectly, in the support of any religious or anti-religious activity, worship, or instruction

ARTICLE 26 CRIMINAL PROVISIONS AND SANCTIONS

The Contractor agrees that it will perform the Agreement activities in conformance with safeguards against fraud and abuse as set forth by H-GAC, the State of Texas, and the acts and regulations of the funding entity The Contractor agrees to promptly notify H-GAC of suspected fraud, abuse or other criminal activity through the filing of a written report within twenty-four (24) hours of knowledge thereof and to notify H-GAC of any accident or incident requiring medical attention arising from its activities under this Agreement within twenty-four (24) hours of such occurrence Theft or willful damage to property on loan to the Contractor from H-GAC, if any, shall be reported to local law enforcement agencies and H-GAC within two (2) hours of discovery of any such act

The Contractor further agrees to cooperate fully with H-GAC, local law enforcement agencies, the State of Texas, the Federal Bureau of Investigation and any other duly authorized investigative unit in carrying out a full investigation of all such incidents

ARTICLE 27 TITLES NOT RESTRICTIVE

The titles assigned to the various Articles of this Agreement are for convenience only Titles shall not be considered restrictive of the subject matter of any Article, or part of this Agreement

ARTICLE 28 ACKNOWLEDGEMENT OF FUNDING SOURCE

The Contractor shall give credit to H-GAC and The Office of the Governor, Criminal Justice Division, as the funding source for this Agreement in all oral presentations, written documents, publicity, and advertisements regarding any of the Contractor's activities which arise from this Agreement

ARTICLE 29 DISPUTES

Any and all disputes concerning questions of fact or of law arising under this Agreement which are not disposed of by agreement shall be decided by the Executive Director of H-GAC or his designee, who shall reduce his decision to writing and provide notice thereof to the Contractor The decision of the Executive Director or his designee shall be final and conclusive unless, within thirty (30) days from the date of receipt of such copy, the Contractor requests a rehearing from the Executive Director of H-GAC In connection with any rehearing under this Article, the Contractor shall be afforded an opportunity to be heard and offer evidence in support of its position. The decision of the Executive Director after any such rehearing shall be final and conclusive The Contractor may, if it elects to do so, appeal the final and conclusive decision of the Executive Director to a court of competent jurisdiction. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the Agreement and in accordance with H-GAC's final decision

ARTICLE 30 GOVERNING LAW AND VENUE

This Agreement shall be governed by the laws of the State of Texas Venue and jurisdiction of any suit or cause of action arising under or in connection with the Agreement shall lie exclusively in Harris County, Texas, unless the laws of the State of Texas specifically establish venue in some other county

ARTICLE 31 ORDER OF PRIORITY

In the case of any conflict between the General Provision, the Special Provisions, and Attachments to this Agreement, the following order of priority shall be utilized Special Provision, General Provisions, and Attachments

H-GAC and the Contractor have executed the Agreement as of the date first written above

____________________________	Mark Henry
Jack Steele, Executive Director	Mark Henry, County Judge
Houston-Galveston Area Council	Galveston County
____________________________	December 11, 2012
Date	Date

HOUSTON-GALVESTON AREA COUNCIL
REGIONAL JUVENILE MENTAL HEALTH SERVICES

SPECIAL CONTRACT PROVISIONS

ARTICLE 1 INTRODUCTION

This contract is by and between the **Houston-Galveston Area Council**, H-GAC, and **Galveston County Juvenile Probation Department**, Contractor or Service Provider, and in aid of Criminal Justice Division (CJD) grant number 26067-01, titled Regional Juvenile Mental Health Services under the State Criminal Justice Planning Fund (SF421) It is understood by all parties that payment obligations created by this contract are conditional upon the availability of State or Federal funds appropriated or allocated for the payment of such obligations

All services billed hereunder must be rendered within the grant period as described in Article 6 of the General Contract Provisions and Article 3 of the Special Contract Provisions of this contract

ARTICLE 2 SCOPE OF SERVICES

The Contractor covenants and agrees to provide hours for mental health assessment and/or therapy to referred juveniles as set forth in this contract H-GAC hereby agrees to engage the Contractor and the Contractor agrees to perform hereinafter as set forth pursuant to the provisions of the grant from the Office of the Governor, Criminal Justice Division The services to be performed by the Contractor are herewith outlined as follows

(a) Project Task The Contractor shall provide mental health assessment and/or therapy to referred juveniles

(b) Work Product In performing the services specified herein, the Contractor shall provide mental health assessment and/or therapy to referred juveniles as described in the Contractor's proposal, which is attached hereto as Attachment A and is a part of the Contract Services provided within the Contract performance period shall be mutually agreed upon by H-GAC and the Contractor

(c) Service Provider The Contractor shall be responsible for the procurement of mental health assessment and/or therapy services via a reputable, credible and licensed provider, at a reasonable cost representing market value for such services in Galveston County

(d) Location The Contractor will provide services within Galveston County and to citizens residing in Galveston County, Texas

ARTICLE 3 PERFORMANCE PERIOD

The period of this Contract shall commence September 1st, 2012, and continue in force until August 31st, 2013, unless extended by H-GAC as provided in Article 16 of the General Contract Provisions

ARTICLE 4 COORDINATION OF SERVICES

H-GAC shall provide coordination of mental health services provided across the region, including overall monitoring and implementation of the services provided H-GAC Criminal Justice planning staff shall act as liaison between the Contractor and the Office of the Governor, Criminal Justice Division.

ARTICLE 5 COMPENSATION

H-GAC agrees to pay the Contractor the total sum not to exceed Fourteen Thousand Dollars ($14,000 00) for services described in this Contract, subject to amendment or change of this Agreement in accordance with Article 16 of the General Provisions

ARTICLE 6 METHOD OF PAYMENT

H-GAC shall make payments to the Contractor in the following manner

(a) Contractor shall be paid actual documented cost of each assessment or counseling session provided, as listed in the Contractor's proposal and specified in this contract as **Attachment A** In no event shall the sum of all payments for service hours provided exceed the amount shown in the proposal Contractor shall bill H-GAC for fully documented and substantiated costs of all services provided no later than the 15th of the following month. Contractor shall not be paid for any service until all services for the previous month have been provided

H-GAC will forward payment to Contractor within thirty (30) business days subject to having received each of the following

1 A detailed account of actual costs of the services provided, including number of hours and cost per hour

2 Information regarding any subcontracted service provider, including name of agency, address of agency, name of assessor and/or therapist, credentials of assessor and/or therapist, and length of time agency has been operating in Galveston County

(b) The Contractor shall use the H-GAC Regional Juvenile Mental Health Services Reimbursement Form, herein specified as **Attachment B**, to request reimbursement from H-GAC

(c) All requested costs must be eligible under the applicable Governor's Criminal Justice Plan for Texas

ARTICLE 7 PERSONNEL

The Contractor shall furnish all necessary personnel with the professional classification, qualifications, skill and expertise required to perform the services to be rendered pursuant to Article 2 of the Special Contract Provisions The Contractor shall be responsible for completion of the services to be rendered and will provide all necessary supervision and coordination of activities that may be required to complete the services The Contractor shall not subcontract work to be performed without prior written consent of H-GAC

ARTICLE 8 SUBCONTRACTS

The Contractor shall furnish to H-GAC a copy of the signed subcontract(s) when the Contractor uses the services of mental health professionals under the purview of this contract Copies of the subcontract(s) shall be furnished to H-GAC by the Contractor

ARTICLE 9 COPYRIGHTS AND RIGHTS IN DATA

When activities involved in the services provided for in this Contract produce original books, manuals, films, computer programs (including executable computer programs and supporting data in any form) or other copyrightable material, the Contractor may copyright such, but the Governor's Office of General Counsel and Criminal Justice reserves a royalty-free, non-exclusive and irrevocable license to produce, publish and use such materials and to authorize others to do so

Provisions appropriate to effectuate the purpose of this condition must be in all employment contracts, service provider agreements and other subcontracts emanating from this Contract

ARTICLE 10 LABOR STANDARDS

The Contractor will comply with the Fair Labor Standards Act of 1938 (29 USC 676 et seq)

ARTICLE 11 AGE DISCRIMINATION

The Contractor will comply with the Age Discrimination in Employment Act of 1967 (29 USC 621 et seq)

ARTICLE 12 INSURANCE

The Contractor represents to H-GAC that it self-insures its general liability exposure including bodily injury, death and property damage The limits of liability are set in part by the Texas Tort Claims Act. The Contractor self-insures workers compensation and employer's liability under the Texas Workers Compensation Act

ARTICLE 13 ASSIGNMENT

The provisions of this contract shall not be assignable without the prior written consent of the other party

ARTICLE 14 RECORDS RETENTION

Records shall be retained for at least **THREE (3) YEARS** following the closure of the most recent audit report and until any outstanding litigation, audit or claim has been resolved. Records are subject to inspection by CJD, or any state or federal agency authorized to inspect same

SIGNATURES:
H-GAC and the Contractor have executed this agreement in multiple copies, each of which is an original.

ACCEPTED BY:

HOUSTON-GALVESTON AREA COUNCIL	**Galveston County**
Signature ______________	Signature Mark Henry
Name ______________	Name Mark Henry
Title ______________	Title County Judge
Date ______________	Date December 11, 2012

AGENDA ITEM #27d

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Grant Award/Agreement

Agenda Date 12/11/12	**Department**	Emergency Management	
Grant Agency	Texas Department of Public Safety	**Funding Source**	Homeland Security Grant Program (HSGP)
Grant Start Date 8/1/2012	**Program Year**	**Renewal Yes/No**	**Last Billing Date**
Grant End Date 1/31/2013	**Program End [** 1/31/2013	**Award/Agreement No**	2010-ss-TO-0008
Description	State Homeland Security Progam(SHSP) Supports the implementation of state homeland security strategies		
Grant Org Key		**Grant Type**	Reimbursement

Expenditure Type	Grant (Other) Funded	County Funded	Total Budget
Salary & Benefit			-
Non-Labor	$57,952 00		57,952 00
Indirect/Admin Costs			-
Not Yet Determined			-
Totals	57,952 00	-	57,952 00

	FY12	FY13	FY14	FY15	After FY15	Total
County Funding Requested	-	-				-
County Funding Budgeted	0					
County Funding Source						

Approved By	Signature	Date
Grants Manager		12/5/12
Director of Finance		12/5/2012

Form Number

Texas Department of Public Safety

2010 Sub-Recipient Award for

Galveston County

Date of Award
November 20, 2012

1. Sub-Recipient Name and Address

Judge Mark Henry
Galveston County
722 Moody, Suite 200
Galveston, TX 77550

2. Prepared by: Gabbart, Steven

3. SAA Award Number. 10-SR 48167-05

4. Federal Grant Information

Federal Grant Title.	**Homeland Security Grant Program (HSGP) State Homeland Security Program(SHSP)**
Federal Grant Award Number:	2010-SS-T0-0008
Date Federal Grant Awarded to TxDPS:	August 1, 2010
Federal Granting Agency.	Department of Homeland Security FEMA Grant Programs Directorate

5. Award Amount and Grant Breakdown

SHSP Award Amount (Federal)

CFDA 97.073

$57,952.00

Grant Period:	
From	To
Aug 1, 2010	Jan 31, 2013

(The SAA must receive all invoices by the end of grant period)

6. Statutory Authority for Grant: This project is supported under Department of Homeland Security Appropriations Act, 2010 (Public Law 111-83)

7 Method of Payment: Primary method is reimbursement

8. Debarment/Suspension Certification: The Sub-Recipient certifies that the sub-recipient and its contractors/vendors are not debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded by any federal department or agency and do not appear in the Excluded Parties List System at http //www epls gov 2 8 9029 0

9. Agency Approval

Approving TxDPS Official·

Machelle Pharr
Deputy Assistant Director
State Administrative Agency
Texas Department of Public Safety

Signature of TxDPS Official·

10. Sub-Recipient Acceptance

I have read and understand the attached Terms and Conditions.

Type name and title of Authorized Sub-Recipient official.

Mark Henry, County Judge

Signature of Sub-Recipient Official·

11 Enter Employer Identification Number (EIN) / Federal Tax Identification Number.

74-6000908

12 Date Signed

12/11/12

13 DUE DATE: **January 4, 2013**

Signed award and Direct Deposit Form (if applicable) must be returned to TxDPS on or before the above due date

2010 TERMS AND CONDITIONS

Instructions

The Sub-recipient must

1. *Fill in the contact information and sign the Sub-Recipient Award*
2. *Certify they have read and understand the Terms and Conditions by initialing the bottom of each page*
3. *Fill in the contact information located on Page 4*
4. *Certify to the statements provided in Exhibits A and B and C located at the back of this document by filling in contact information and signing both exhibits*
5. *Return all documents to the SAA in accordance with the date provided in the transmittal letter and/or in the agreement*

Parties to Sub-recipient Agreement

This Sub-recipient Agreement (includes the Sub-recipient Award and the Terms and Conditions) is made and entered into by and between the Department of Public Safety / State Administrative Agency, (DPS/SAA) an agency of the State of Texas, hereinafter referred to as "DPS/SAA," and the funds recipient, hereinafter referred to as the "Sub-recipient" Furthermore, DPS/SAA and the Sub-recipient are collectively hereinafter referred to as the "Parties" The Sub-recipient Agreement is only an offer until the Sub-recipient returns the signed copy of the 2010 Sub-recipient Agreement in accordance with the date provided in the transmittal letter and/or in the agreement Sub-recipient Agreement Award

Sub-recipient must not assign or transfer any interest in this Sub-recipient Agreement without the express, prior written consent of the SAA

Overview, and Performance Standards

All allocations and use of funds under this grant must be in accordance with the FY 2010 Guidelines and Application Kit for the Federal Grant Title specified on the Sub-recipient Agreement Award All award Sub-recipients are required to have read, understood and accepted the FY 2010 Guidance and Application Kit as binding

Standard of Performance The Sub-recipient shall perform all activities and projects entered into the SAA web-based grants management system approved by its Regional Planning Group / Urban Area Working Group and/or by the State Administrative Agency (SAA) as applicable The Sub-recipient shall perform all activities in accordance with all terms, provisions and requirements set forth in this Sub-recipient agreement, Terms and Conditions and the following Exhibits located at the end of this document

1. Assurance – Non-Construction Programs, hereinafter referred to as "**Exhibit A**"
2. Assurance – Construction Programs, hereinafter referred to as "**Exhibit B**"
3. Certification, hereinafter referred to as "**Exhibit C**"

Failure to Perform In the event the Sub-recipient fails to implement the project(s) entered into the SAA web-based grants management system, or comply with any of this Sub-recipient agreement's provisions, in addition to the remedies specified in this Sub-recipient agreement, the Sub-recipient is liable to DPS/SAA for an amount not to exceed the award amount of this Sub-recipient agreement and may be barred from applying for or receiving additional DHS/FEMA grant program funds or any other federal program funds administered by DPS/SAA until repayment to DPS/SAA is made and any other compliance or audit finding is satisfactorily resolved

Initial MA Date 12/11/12

DPS/SAA Obligations

Measure of Liability DPS/SAA shall not be liable to the Sub-recipient for any costs incurred by the Sub-recipient that are not allowable costs

Sub-recipient Agreement Funds Defined and Limit of Liability The term "Sub-recipient agreement funds" as used in this Sub-recipient agreement means funds provided by DPS/SAA under the DHS/FEMA grant programs The term "Sub-recipient's funds" or match funds as used in this Sub-recipient agreement means funds provided by the Sub-recipient

Notwithstanding any other provision of this Sub-recipient agreement, the total of all payments and other obligations incurred by DPS/SAA under this Sub-recipient agreement shall not exceed the Total Award Amount listed on the cover page of the Sub-recipient agreement

Sub-recipient shall contribute the match funds listed on the Sub-recipient Award page

Excess Payments The Sub-recipient shall refund to DPS/SAA any sum of Sub-recipient agreement funds that has been paid to the Sub-recipient by DPS/SAA or that DPS/SAA determines has resulted in overpayment to the Sub-recipient or that DPS/SAA determines has not been spent by the Sub-recipient in accordance with this Sub-recipient agreement No refund payment(s) may be made from local, state or federal grant funds unless repayment with grant funds is specifically permitted by statute or regulation The Sub-recipient shall make such refund to DPS/SAA within thirty (30) days after DPS/SAA requests such refund

Suspension

In the event the Sub-recipient fails to comply with any of this Sub-recipient Agreement's terms, DPS/SAA may, upon written notification to the Sub-recipient, suspend this Sub-recipient agreement in whole or in part, withhold payments to the Sub-recipient and prohibit the Sub-recipient from incurring additional obligations of Sub-recipient agreement funds

Termination

DPS/SAA's Right to Terminate DPS/SAA shall have the right to terminate this Sub-recipient agreement, in whole or in part, at any time before the end of the Performance Period, whenever DPS/SAA determines that the Sub-recipient has failed to comply with any of this Sub-recipient agreement's terms DPS/SAA shall notify the Sub-recipient in writing prior to the thirtieth (30th) day preceding the termination of such determination and include

1 the reasons for such termination,
2 the effective date of such termination, and
3 in the case of partial termination, the portion of the Sub-recipient agreement to be terminated

Appeal will be made to the Deputy Director of Homeland Security, Department of Public Safety

Enforcement

In taking an enforcement action, the awarding agency will provide the sub-recipient an opportunity for such hearing, appeal, or other administrative proceeding to which the sub-recipient is entitled under any statute or regulation applicable to the action involved

Initial MW Date 12/11/12

Conflict of Interest

No employee, officer or agent of the sub-recipient shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved

Monitoring

Sub-recipients will be monitored periodically by federal or state agencies, both programmatically and financially, to ensure that project goals, objectives, performance requirement, timelines, milestone completion, budget, and other related program criteria are being met

DPS/SAA reserves the right to perform periodic office-based and/or on-site monitoring of the Sub-recipient's compliance with this Sub-recipient agreement's terms and conditions and of the adequacy and timeliness of the Sub-recipient's performance pursuant to this Sub-recipient agreement After each monitoring visit, DPS/SAA shall provide the Sub-recipient with a written report of the monitor's findings If the monitoring report notes deficiencies in the Sub-recipient's performance under this Sub-recipient agreement's terms, the monitoring report shall include requirements for the timely correction of such deficiencies by the Sub-recipient Failure by the Sub-recipient to take action specified in the monitoring report may be cause for this Sub-recipient agreement's suspension or termination pursuant to the Suspension and/or Termination Section

Audit

Audit of Federal and State Funds The Sub-recipient shall arrange for the performance of an annual financial and compliance audit of Sub-recipient agreement funds received and performances rendered under this Sub-recipient agreement as required by the Single Audit Act (OMB Circular A – 133, 44 C F R 13 26) and as outlined in Exhibit A The Sub-recipient will also comply, as applicable, with Texas Government Code, Chapter 783, 1 TAC 5 141 et seq and the Uniform Grant Management Standards (UGMS), State Uniform Administrative Requirements for Grants and Cooperative Agreements

DPS/SAA's Right to Audit DPS/SAA reserves the right to conduct a financial and compliance audit of Sub-recipient agreement funds received and performances rendered under this Sub-recipient agreement The Sub-recipient agrees to permit DPS/SAA or its authorized representative to audit the Sub-recipient's records The sub-recipient shall provide any documents, materials or information necessary to facilitate such audit

Sub-recipient's Liability for Disallowed Costs The Sub-recipient understands and agrees that it shall be liable to DPS/SAA for any costs disallowed pursuant to financial and compliance audit(s) of Sub-recipient agreement funds The Sub-recipient further understands and agrees that reimbursement to DPS/SAA of such disallowed costs shall be paid by the Sub-recipient from funds that were not provided or otherwise made available to the Sub-recipient pursuant to this Sub-recipient agreement or any other federal contract

Sub-recipient's Facilitation of Audit The Sub-recipient shall take such action to facilitate the performance of such audit(s) conducted pursuant to this Section as DPS/SAA may require of the Sub-recipient The Sub-recipient shall ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through the Sub-recipient and the requirement to cooperate is included in any subcontract it awards

Other Requirements

A During the performance period of this grant, Sub-recipients must maintain an Emergency Management Plan at the Intermediate Level of planning preparedness or higher, as prescribed by the Texas Division of Emergency Management (TDEM) This may be accomplished by a jurisdiction maintaining its own emergency management plan or participating in an inter-jurisdictional emergency management program that meets the required standards If TDEM identifies deficiencies in the Sub-recipient's plan, Sub-recipient will correct deficiencies within 60 days of receiving notice of such deficiencies from TDEM

Initial MM Date 12/11/12

B Projects identified in the SAA web-based grant management system must identify and relate to the goals and objectives indicated by the applicable approved project investments for the period of performance of the grant

C During the performance period of this grant, Sub-recipient agrees that it will participate in a legally-adopted county and/or regional mutual aid agreement

D During the performance period, the Sub-recipient must be a registered user of the Texas Regional Response Network (TRRN) and identify all major resources such as vehicles and trailers, equipment costing $5,000 or more and specialized teams/response units equipped and/or trained using grant funds (i e hazardous material, decontamination, search and rescue, etc) This registration is to ensure jurisdictions or organizations are prepared to make grant funded resources available to other jurisdictions through mutual aid

E Sub-recipients must submit Fiscal Year 2010 Indirect Cost Allocation Plan signed by Cognizant Agency - "Cognizant agency" means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under 2 CFR part 225 on behalf of all Federal agencies OMB publishes a listing of cognizant agencies Plan should be forwarded to the SAA along with the Planning and Administration Grant Budget Form

F Council of Governments (COG) will follow guidelines listed in the SAA FY 10 COG Statement of Work

G Sub-recipient acknowledges that FEMA National Preparedness Directorate reserves a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and authorize others to use, for Federal government purposes (1) the copyright in any work developed under an award or sub-award, and (2) any rights of copyright to which a recipient or Sub-recipient purchases ownership with Federal support The sub-recipient agrees to consult with DPS/SAA regarding the allocation of any patent rights that arise from, or are purchased with, this funding

Closing the Grant

A The Sub-recipient must have expended all grant funds and submitted expenditure reimbursement requests and any invoices by the end of the performance period listed on the sub-recipient agreement

B DPS/SAA will close a sub-award after receiving Sub-recipient's final performance report indicating that all approved work has been completed and all funds have been disbursed, completing a review to confirm the accuracy of the reported information, and reconciling actual costs to awards modifications and payments If the close out review and reconciliation indicates that the Sub-recipient is owed additional funds, DPS/SAA will send the final payment automatically to the Sub-recipient If the Sub-recipient did not use all the funds received, DPS/SAA will issue a Grant Adjustment Notice (GAN) to recover the unused funds

C At the completion of the sub-recipient's performance period, DPS/SAA will de-obligate all uncommitted / unexpended funds

Restrictions, Disclaimers and Notices

A In cases where local funding is established by a COG or UASI, governing board, the release of funds by DPS/SAA is contingent upon funding allocation approval by the governing board

B Notwithstanding any other agreement provisions, the parties hereto understand and agree that DPS/SAA's obligations under this agreement are contingent upon the receipt of adequate funds to meet DPS/SAA's liabilities hereunder, except as required by IECGP and HSGP grants DPS/SAA shall not be liable to the Sub-recipient for costs under this Agreement which exceed the amount specified in the Notice of Sub-recipient Award

C All notices or communication required or permitted to be given by either party hereunder shall be deemed sufficiently given if mailed by registered mail or certified mail, return receipt requested, or sent by overnight courier, such as Federal Express, to the other party at its respective address set forth below or to the Point of Contact listed for the sub-recipient in the SAA Grants Management System shall be deemed received the following business day

Initial MM Date 12/11/12

DPS/SAA Contact Information
Deputy Director, Homeland Security Texas Department of Public Safety State Administrative Agency P O Box 4087 Austin, TX 78773-0220

Sub-Recipient Contact Information (Please Fill-In Contact Information below)
Name **Mark Henry** Title **County Judge** Agency **Galveston County** Address **722 Moody, Suite 200 Galveston, TX 77550**

Uniform Administrative Requirements, Cost Principals and Audit Requirements

Except as specifically modified by law or this Sub-recipient agreement's provisions, the Sub-recipient shall administer the award through compliance with the most recent version of all applicable Laws and Regulations A non-exclusive list is provided below

A Administrative Requirements

1 44 C F R Part 13, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments,
2 2 C F R Part 215, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (OMB Circular A-110)

B Cost Principles

1 2 C F R Part 225, Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87)
2 2 C F R Part 220, Cost Principles for Education Institutions (OMB Circular A-21)
3 2 C F R Part 230, Cost Principles for Non-Profit Organizations (OMB Circular A-122)
4 Federal Acquisition Regulations (FAR) Subpart 31 2, Contracts with Commercial Organizations

C Audit Requirements – OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations

D Sub- recipient understands and agrees that it cannot use any federal funds, either directly or indirectly, in support of the enactment, repeal, modification or adoption of any law, regulation or policy, at any level of government, without the express prior written approval of FEMA

E The sub-recipient agrees that all allocations and use of funds under this grant will be in accordance with the applicable FY2010 Grant Program Guidance and Application Kit

F The recipient must provide information to FEMA to assist with the legally-required environmental planning and historic preservation (EHP) review and to ensure compliance with applicable EHP laws and Executive Orders (EO) These EHP requirements include but are not limited to National Environmental Policy Act, National Historic Preservation Act, Endangered Species Act, EO 11988 – Floodplain Management, EO 11990 – Protection of Wetlands, and EO 12898 – Environmental Justice The recipient must comply with all Federal, State, and local EHP requirements and obtain applicable permits and clearances

Recipient shall not undertake any activity from the project that would result in ground disturbance, facility modification, or relates to the use of sonar equipment without the prior approval of FEMA These include but are not limited to communications towers, physical security enhancements involving ground disturbance, new construction, and modifications to buildings that are 50 years old or older Recipient must comply with all mitigation or treatment measures required for the project as the result of FEMA's EHP review Any changes to an approved project description will require re-evaluation for compliance with EHP requirements before the project can proceed If ground disturbing activities occur during project implementation, the recipient must ensure monitoring of ground disturbance and if any potential archeological resources are discovered, the recipient will immediately cease construction in that area and notify FEMA and the appropriate State Historical Preservation Office Initiation of these activities prior to completion of FEMA's EHP review will result in a non-compliance finding and may not be eligible for grant funding

G Sub-recipient shall also comply with all other federal, state, and local laws and regulations applicable to this Sub-recipient agreement's activities and performances rendered by the Sub-recipient including but not limited to the laws and the regulations promulgated in State Administrative Agency Information Bulletins, and Texas Uniform Grants Management Standards (UGMS)

H The sub-recipient(s) must, in addition to the assurances, comply and require each of its subcontractors employed in the completion of the project to comply with all applicable statutes, regulations, executive orders, OMB circulars, terms and conditions of the award, and the approved application

Initial MH Date 12/11/12

Retention and Accessibility of Records

Retention of Records The Sub-recipient shall maintain fiscal records and supporting documentation for all expenditures of Sub-recipient agreement funds pursuant to the applicable OMB Circular and this Sub-recipient agreement The Sub-recipient shall retain these records and any supporting documentation for the greater of three (3) years from the completion of this project's public objective, including program requirements and financial obligations, or the period of time required by other applicable laws and regulations Sub-recipient shall comply with 44 CFR Section 13 42 and UGMS §-__ 42

Access to Records The Sub-recipient shall give the United States Department of Homeland Security (DHS), the Comptroller General of the United States, the Texas State Auditor, DPS/SAA, or any of their duly authorized representatives, access to and the right to examine all books, accounts, records, reports, files, other papers, things or property belonging to or in use by the Sub-recipient pertaining to this Sub-recipient agreement including records concerning the past use of DHS/FEMA funds Such rights to access shall continue as long as the records are retained by the Sub-recipient The Sub-recipient agrees to maintain such records in an accessible location and to provide citizens reasonable access to such records consistent with the Texas Public Information Act, , and Texas Government Code Chapter 552

Inclusion in Subcontracts The Sub-recipient shall include the substance of this Section in all subcontracts

Legal Authority

Signatory Authority The Sub-recipient assures and guarantees that the Sub-recipient possesses the legal authority to enter into this Sub-recipient agreement, receive Sub-recipient agreement funds and to perform the services the Sub-recipient has obligated itself to perform pursuant to this Sub-recipient agreement

Authorized Representative The person or persons signing and executing this Sub-recipient agreement on the Sub-recipient's behalf do warrant and guarantee that he, she or they have been duly authorized by the Sub-recipient to execute this Sub-recipient agreement on the Sub-recipient's behalf and to validly and legally bind the Sub-recipient to all contractual terms, performances and provisions

Conflicts in Requirements If conflict exists between federal, state, or local requirements, the sub-recipient shall comply with the strictest requirement

Notice of Litigation and Claims

The Sub-recipient shall give DPS/SAA immediate notice in writing of any action, including any proceeding before an administrative agency, filed against the Sub-recipient arising out of the performance under this Sub-recipient agreement

Except as otherwise directed by DPS/SAA, the Sub-recipient shall furnish immediately to DPS/SAA copies of all documentation or pleadings received by the Sub-recipient with respect to such action or claim

Non-Waiver of Defaults

ANY FAILURE OF DPS/SAA, AT ANY TIME, TO ENFORCE OR REQUIRE THE STRICT KEEPING AND PERFORMANCE OF ANY PROVISION OF THIS AGREEMENT WILL NOT CONSTITUTE A WAIVER OF SUCH PROVISION, AND WILL NOT AFFECT OR IMPAIR SAME OR THE RIGHT OF DPS/SAA AT ANY TIME TO AVAIL ITSELF OF SAME A WAIVER DOES NOT BECOME EFFECTIVE UNLESS DPS/SAA EXPRESSLY AGREES TO SUCH WAIVER IN WRITING ANY PAYMENT BY DPS/SAA SHALL NOT CONSTITUTE A WAIVER OR OTHERWISE IMPAIR OR PREJUDICE ANY RIGHT, POWER, PRIVILEGE, OR REMEDY AVAILABLE TO DPS/SAA TO ENFORCE ITS RIGHTS, AS SUCH RIGHTS, POWERS, PRIVILEGES, AND REMEDIES ARE SPECIFICALLY PRESERVED

Initial MH Date 12/11/12

Indemnity

AS PERMITTED BY LAW, SUB-RECIPIENT SHALL INDEMNIFY, DEFEND AND HOLD DPS/SAA AND THE STATE OF TEXAS (INCLUDING ITS DIRECTORS, COMMISSIONERS, EMPLOYEES, AGENTS AND THEIR SUCCESSORS) ("INDEMNITEES") HARMLESS FROM AND AGAINST ANY OF THE FOLLOWING THAT ARISE OUT OF OR RESULT FROM SUB-RECIPIENT'S NEGLIGENCE (ANY AND ALL), FAULT, ACT, FAILURE TO ACT, OMISSION, BREACH OF THIS AGREEMENT OR VIOLATION OF ANY STATE OR FEDERAL LAW AND/OR REGULATION, AS WELL AS ANY VIOLATION OF ANY MATTER MADE THE BASIS OF A TREATY AND/OR CONVENTION AND/OR AGREEMENT BETWEEN THE UNITED STATES AND ANOTHER NATION CLAIMS, LAWSUITS, DAMAGES, LIABILITIES, PENALTIES, TAXES, FINES, INTEREST, EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES, COURT COSTS, INVESTIGATION COSTS AND ALL DIRECT OR INDIRECT COSTS OR EXPENSES INCURRED IN DEFENDING AGAINST ANY CLAIM, LAWSUIT, OR OTHER PROCEEDING, INCLUDING THOSE EXPENSES INCURRED IN ANY NEGOTIATION, SETTLEMENT, OR ALTERNATIVE DISPUTE RESOLUTION), ANY AND ALL DAMAGES, HOWEVER CHARACTERIZED, SUCH AS DIRECT, GENERAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, PUNITIVE, OR SPECIAL DAMAGES OF ANY KIND (INCLUDING LOST REVENUES OR PROFITS, LOSS OF BUSINESS, LOSS OF USE, OR LOSS OF DATA) ARISING OUT OF OR IN CONNECTION WITH OR RELATED TO THIS AGREEMENT OR THE RIGHTS PROVIDED THEREIN

IN ANY AND ALL CLAIMS AGAINST ANY OF THE INDEMNITEES BY ANY EMPLOYEE OF THE SUB-RECIPIENT OR ANY EMPLOYEE OF ITS SUBCONTRACTOR(S), THE INDEMNIFICATION OBLIGATION UNDER THIS AGREEMENT WILL NOT BE LIMITED IN ANY WAY BY THE AMOUNT OR TYPE OF DAMAGES, COMPENSATION, OR BENEFITS PAYABLE BY OR FOR THE SUB-RECIPIENT OR ANY OF ITS SUBCONTRACTOR(S) UNDER WORKER'S DISABILITY COMPENSATION ACTS, DISABILITY BENEFITS ACTS, OR OTHER EMPLOYEE BENEFITS ACTS

SUB-RECIPIENT SHALL COORDINATE ITS DEFENSE AND ANY SETTLEMENT WITH THE ATTORNEY GENERAL FOR THE STATE OF TEXAS AS REQUESTED BY THE DPS/SAA IN ANY SETTLEMENT, SUB-RECIPIENT MUST NOT MAKE ANY ADMISSION OF LIABILITY ON THE PART OF ANY OF THE INDEMNITEES

THIS SECTION SHALL NOT BE CONSTRUED TO ELIMINATE OR REDUCE ANY OTHER INDEMNIFICATION, CONTRIBUTION OR RIGHT WHICH ANY OF THE INDEMNITEES HAVE BY LAW OR EQUITY

THIS SECTION SHALL SURVIVE THE TERMINATION OR EXPIRATION OF THIS AGREEMENT

Changes and Amendments

Written Amendment Except as specifically provided otherwise in this Sub-recipient agreement, any alterations, additions or deletions to this Sub-recipient agreement's terms shall be made through Grant Adjustment Notices generated by the SAA web-based grants management system and executed by the Parties

Authority to Amend During the period of this Sub-recipient agreement's performance DPS/SAA and/or FEMA may issue policy directives that serve to establish, interpret or clarify this Sub-recipient agreement's performance requirements Such policy directives shall be promulgated by DPS/SAA or FEMA in the form of Information Bulletins and shall have the effect of qualifying this Sub-recipient agreement's terms and shall be binding upon the Sub-recipient as if written in the Sub-recipient agreement

Effect of Changes in Federal and State Laws Any alterations, additions, or deletions to this Sub-recipient agreement's terms that are required by the changes in federal and state laws or regulations are automatically incorporated into this Sub-recipient agreement without written amendment to this Sub-recipient agreement and shall become effective on the date designated by such law or regulation In the event FEMA or DPS/SAA determines that changes are necessary to the award document after an award has been made, including changes to period of performance or terms and conditions, recipients will be notified of the changes in writing Once notification has been made, any subsequent request for funds will indicate sub-recipient acceptance of the changes to the award

Initial MM4 Date 12/11/12

Headings

Headings and captions of this Sub-recipient agreement's sections and paragraphs are only for convenience and reference These headings and captions shall not affect or modify this Sub-recipient agreement's terms or be used to interpret or assist in the construction of this Sub-recipient agreement

Venue

For purposes of litigation pursuant to this Sub-recipient agreement, venue shall lie in Travis County, Texas, and be governed by Texas Law

Initial MA Date 12/1/12

Special Conditions

2010 Operation Stonegarden (OPSG) Specific·

1) The recipient is prohibited from obligating or expending Operation Stonegarden (OPSG) funds provided through this award until each unique, specific or modified county level or equivalent Operational Order/Frag Operations Order with embedded estimated operational budget has been reviewed and approved through an official email notice issued by FEMA removing this special programmatic condition The Operations Order approval process/structure is as follows Operations Orders are submitted to (I) the appropriate Customs and Border Protection (CBP) Border Patrol (BP) Sector Headquarters (HQ), upon approval by the Sector HQ, forwarded through the Border Patrol Enforcement Transfer System (BPETS) system to (2) the OPSG Coordinator, CBP/BP Washington, DC and upon approval forwarded to (3) Federal Emergency Management Agency (FEMA), Grant Programs Directorate (GPD) Grant Development and Administration Division (GD&A) Notification of release of programmatic hold will be sent by FEMA via email to the State Administrative Agency (SAA) with a copy to OPSG Coordinator at CBP/BP HQ, Washington DC

General

1)

a) Provisions applicable to a sub-recipient that is a private entity

i) You as a sub-recipient, your employees, may not

(1) Engage in severe forms of trafficking in persons during the period of time that the award is in effect,

(2) Procure a commercial sex act during the period of time that the award is in effect or

(3) Use forced labor in the performance of the award or sub-award under this award

ii) We may unilaterally terminate this award, without penalty, if the sub-recipient that is a private entity

(1) Is determined to have violated a prohibition in paragraph 1a of this award term, or

(2) Has an employee who is determined by the agency official authorized to terminate the award to have violated a prohibition of this award term through conduct that is either

(a) Associated with performance under this award, or

(b) Imputed to you or the sub-recipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR Part 180, "OMB Guidelines to Agencies on Government Debarment and Suspension (Non-procurement)," as implemented at 2 CFR Part 3000

b) Provisions applicable to a sub-recipient that is other than a private entity We may unilaterally terminate this award, without penalty, if the sub-recipient that is a private entity

i) Is determined to have violated a prohibition in paragraph 1a of this award term, or

ii) Has an employee who is determined by the agency official authorized to terminate the award to have violated an applicable prohibition in paragraph a1 of this award term through conduct that is either

(1) Associated with performance under this award, or

(2) Imputed to you or the sub-recipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR Part 180, "OMB Guidelines to Agencies on Government Debarment and Suspension (Non-procurement)," as implemented at 2 CFR Part 3000

c) Provisions applicable to any recipient

i) You must inform us immediately of any information you received from any source alleging a violation of a prohibition in paragraph a1 of this award term

ii) Our right to terminate unilaterally that is described in 1b or 2 of this section

(1) Implements section 106(g) of the Trafficking Victims Protection Act of 2000 (TVPA), as amended (22 U S C 7104 (g), and

(2) Is in addition to all other remedies for noncompliance that are available to us under this award

Initial MA Date 12/11/12

iii) You must include the requirements of 1a of this award term in any sub-award you make to a private entity

d) Definitions For purposes of this award term

i) "Employee" means either

(1) An individual employed by a sub-recipient who is engaged in the performance of the project or program under this award or

(2) Another person engaged in the performance of the project or program under this award and not compensated by you including, but not limited to, a volunteer or individual whose services are contributed by a third party as an in-kind contribution toward cost sharing or matching requirements

ii) "Forced labor" means labor obtained by any of the following methods the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery

iii) "Private entity" means

(1) Any entity other than a State, local government, Indian Tribe, or foreign public entities, as those terms are defined in 2 CFR 175 25

(2) Includes

(a) A non-profit organization, including any nonprofit institution of higher education, hospital, or tribal organization other than one included in the definition of Indian Tribe at 2CFR 175 25(b)

(b) A for-profit organization

iv) "Severe forms of trafficking in persons," "commercial sex act," and "coercion" have the meaning given at section 103 of the TVPA, as amended (22 U S C 7102)

2)

a) Classified national security information as defined in Executive Order (EO) 12958, as amended, means information that has been determined pursuant to EO 12958 or any predecessor order to require protection against unauthorized disclosure and is marked to indicate its classified status when in documentary form

b) No funding under this award shall be used to support a contract, sub-award, or other agreement for goods or services that will include access to classified national security information if the award recipient has not been approved for that access to such information

c) Where an award recipient has been approved for and has access to classified national security information, no funding under this award shall be used to support a contract, sub-award, or other agreement for goods or services that will include access to classified national security information by the contractor, sub-awardee, or other entity without prior written approval from the DHS Office of Security, Industrial Security Program Branch(ISBP), or an appropriate official within the Federal department or agency with whom the classified effort will be performed

d) Such contracts, sub-awards, or other agreements shall be processed and administered in accordance with the DHS " Standard Operation Procedures, Classified Contracting by States and Local Entities," dated July 7, 20089 EO's 12829, 12959, 12968, as amended, the National Industrial Security Program Operating Manual (NISPOM), and /or other applicable implementing directives or instruction All security requirement documents are located at http,//www dhs/gov/xopnbiz/grants/index shtm

e) Immediately upon determination by the award recipient that funding under this award will be used to support such a contract, sub-award, or other agreement, and prior to execution of any action to facilitate the acquisition of such a contract sub-award, or other agreement, the award recipient shall contact ISPB, or the appropriate Federal department or agency, for approval and processing instructions

Please fill in the appropriate information and sign.

Mark Henry
Type Name of Authorized Official

County Judge
Title

Galveston County
Sub-recipient Organization

Signature of Authorized Official 12/11/12
Date

Initial MH Date 12/11/12

EXHIBIT A

ASSURANCES - NON-CONSTRUCTION PROGRAMS

As the duly authorized representative of the sub-recipient, I certify that the sub-recipient

1 Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this agreement

2 Will give the Department of Homeland Security, the Department of Public Safety, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award, and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives

3 Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain

4 Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency

5 Will comply with the Intergovernmental Personnel Act of 1970 (42 U S C §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C F R 900, Subpart F)

6 Will comply with all Federal statutes relating to nondiscrimination These include but are not limited to (a) Title VI of the Civil Rights Act of 1964 (P L 88-352) which prohibits discrimination on the basis of race, color or national origin, (b) Title IX of the Education Amendments of 1972, as amended (20 U S C §§1681- 1683, and 1685-1686), which prohibits discrimination on the basis of sex, (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U S C §794), which prohibits discrimination on the basis of handicaps, (d) the Age Discrimination Act of 1975, as amended (42 U S C §§6101-6107), which prohibits discrimination on the basis of age, (e) the Drug Abuse Office and Treatment Act of 1972 (P L 92-255), as amended, relating to nondiscrimination on the basis of drug abuse, (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P L 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism, (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U S C §§290 dd-3 and 290 ee- 3), as amended, relating to confidentiality of alcohol and drug abuse patient records, (h) Title VIII of the Civil Rights Act of 1968 (42 U S C §§3601 et seq), as amended, relating to nondiscrimination in the sale, rental or financing of housing, (i) any other nondiscrimination provisions in the specific statute(s) under which agreement for Federal assistance is being made, and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application

7 Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P L 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally-assisted programs These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases

8 Will comply, as applicable, with provisions of the Hatch Act (5 U S C §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds

9 Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U S C §§276a to 276a-7), the Copeland Act (40 U S C §276c and 18 U S C §874), and the Contract Work Hours and Safety Standards Act (40 U S C §§327-333), regarding labor standards for federally-assisted construction sub-agreements

10 Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P L 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is $10,000 or more

11 Will comply with environmental standards which may be prescribed pursuant to the following (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P L 91-190) and Executive Order (EO) 11514, (b) notification of violating facilities pursuant to EO 11738, (c) protection of wetlands pursuant to EO 11990, (d) evaluation of flood hazards in floodplains in accordance with EO 11988, (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U S C §§1451 et seq), (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U S C §§7401 et seq), (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P L 93-523), and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P L 93- 205)

12 Will comply with the Wild and Scenic Rivers Act of 1968 (16 U S C §§1271 et seq) related to protecting components or potential components of the national wild and scenic rivers system

Initial MV Date 12/11/12

13 Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U S C §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U S C §§469a-1 et seq)

14 Will comply with P L 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance

15 Will comply with the Laboratory Animal Welfare Act of 1966 (P L 89-544, as amended, 7 U S C §§2131 et seq) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance

16 Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U S C §§4801 et seq) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures

17 Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No A-133, "Audits of States, Local Governments, and Non-Profit Organizations "

18 Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program

Please fill in the appropriate information and sign.

Mark Henry
Type Name of Authorized Official

County Judge
Title

Galveston County
Sub-recipient Organization

Mark Henry 12/11/12
Signature of Authorized Official Date

Initial MH Date 12/11/12

EXHIBIT B

ASSURANCES - CONSTRUCTION PROGRAMS

As the duly authorized representative of the sub-recipient, I certify that the sub-recipient

1 Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of project described in this agreement

2 Will give the Department of Homeland Security, the Department of Public Safety, the Comptroller General of the United States and, if appropriate, the State, the right to examine all records, books, papers, or documents related to the assistance, and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives

3 Will not dispose of, modify the use of, or change the terms of the real property title or other interest in the site and facilities without permission and instructions from the awarding agency Will record the Federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure nondiscrimination during the useful life of the project

4 Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications

5 Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progressive reports and such other information as may be required by the assistance awarding agency or State

6 Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency

7 Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain

8 Will comply with the Intergovernmental Personnel Act of 1970 (42 U S C §§4728-4763) relating to prescribed standards of merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C F R 900, Subpart F)

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11 Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P L 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases

12 Will comply with the provisions of the Hatch Act (5 U S C §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds

13 Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U S C §§276a to 276a-7), the Copeland Act(40 U S C §276c and 18 U S C §874), and the Contract Work Hours and Safety Standards Act (40 U S C §§327- 333) regarding labor standards for federally-assisted construction sub-agreements

14 Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P L 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is $10,000 or more

Initial MH Date 12/11/12

15 Will comply with environmental standards which may be prescribed pursuant to the following (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P L 91- 190) and Executive Order (EO) 11514, (b) notification of violating facilities pursuant to EO 11738, (c) protection of wetlands pursuant to EO 11990, (d) evaluation of flood hazards in floodplains in accordance with EO 11988, (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U S C §§1451 et seq), (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U S C §§7401 et seq), (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P L 93-523), and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P L 93-205)

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17 Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U S C §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U S C §§469a-1 et seq)

18 Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No A-133, "Audits of States, Local Governments, and Non-Profit Organizations "

19 Will comply with all applicable requirements of all other Federal laws, executive orders, regulations and policies governing this program

Please fill in the appropriate information and sign.

Mark Henry
Type Name of Authorized Official

County Judge
Title

Galveston County
Sub-recipient Organization

Mark Henry 12/11/12
Signature of Authorized Official Date

Initial MH Date 12/11/12

Exhibit C

Certifications

The undersigned, Mark Henry (print), as the authorized official of Galveston County certifies the following to the best of his/her knowledge and belief

A No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee or a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, of modification of any Federal contract, grant, loan, or cooperative agreement
B If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee or a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL "Disclosure of Lobbying Activities," in accordance with its instructions

C The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontract, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into, Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U S Code Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure

D As required by Executive Order 12549, Debarment and Suspension, and implemented at 28C F R Part 67, for prospective participants in primary covered transactions, as defined at 28C F R Part 67, Section 67 510 (Federal Certification) The Sub-recipient certifies that it and its principals and vendors

1 Are not debarred, suspended, proposed for debarment, declared ineligible, sentenced to a denial of Federal benefits by a State or Federal court, or voluntarily excluded from covered transactions by any Federal department or agency, Sub-recipients can access debarment information by going towww.epls gov and the State Debarred Vendor List http //www window state tx us/prc http://www.window.state.tx.us/procurement/prog/vendor_performance/debarred/

2 Have not within a three-year period preceding this agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction, violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property,

3 Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (D)(2) of this certification, and

4 Have not within a three-year period preceding this agreement had one or more public transactions (Federal, State, or local) terminated for cause or default, and

5 Where the sub-recipient is unable to certify to any of the statements in this certification, he or she shall attach an explanation to this agreement (Federal Certification)

E The Sub-recipient certifies federal funds will be used to supplement existing funds, and will not replace (supplant) funds that have been appropriated for the same purpose Sub-recipient may be required to supply documentation certifying that a reduction in non-federal resources occurred for reasons other than the receipt or expected receipt of federal funds

F Sub-recipient must comply with 2 CFR Part 180 Subpart C as a condition of receiving grant funds, and sub-recipient must require such compliance in any sub-grants or contract at the next tier

G Will comply with all applicable requirements of all other federal laws, executive orders, regulations, program and administrative requirements, policies and any other requirements governing this program

H Drug-free Workplace Act, as amended, 41 U S C §701 et seq – Requires the recipient to publish a statement about its drug-free workplace program and give a copy of the statement to each employee (including consultants and temporary personnel) who will be involved in award-supported activities at any site where these activities will be carried out Also, place(s) where work is being performed under the award (i e , street address, city, state, and zip code) must be maintained on file The recipient must notify the Grants Officer of any employee convicted of a violation of a criminal drug statute that occurs in the workplace For additional information, see 44 CFR Part 17

Initial MH Date 12/11/12

I Understands that failure to comply with any of the above assurances may result in suspension, termination or reduction of grant funds

Please fill in the appropriate information and sign.

Mark Henry
Type Name of Authorized Official

County Judge
Title

Galveston County
Sub-recipient Organization

12/11/12
Signature of Authorized Official Date

Initial MH Date 12/11/12

AGENDA ITEM #28a

THE STATE OF TEXAS · COUNTY OF GALVESTON

COUNTY of GALVESTON
Criminal District Attorney
JACK ROADY

Donna W. Cameron
First Assistant

Johnny J. Freeze
Chief Investigator

Zonia Wilturner-Smith
Chief Executive Officer

December 4, 2012

Mr Rufus G. Crowder
Galveston County Purchasing Agent
722 21st Street, 5th Floor
Galveston, TX 77550

Re 2008 Chevrolet Suburban – Vin # 3GNFC160X8G249628

Dear Mr Crowder

I write regarding the referenced vehicle, which was recently awarded to the Galveston County District Attorney's Office following a contraband forfeiture proceeding in District Court

Our office used discretionary funds from the contraband forfeiture account to pay off the lien on this vehicle At this time, I am requesting that this vehicle be assigned to our office as a backup vehicle for use as needed by our investigators and staff Also, Commissioners Court has approved the purchase of a new vehicle for our office Once that vehicle is obtained and placed into service, I anticipate returning one of our older vehicles to the fleet

For your quick reference, here is a list of the vehicles currently assigned to our office

C1801 2008 Ford Truck	91,744 miles
C1601 2006 Ford Crown Victoria	114,858 miles
C1802 2008 Ford Crown Victoria	68,502 miles
C1502 2005 Ford Truck	141,207 miles
C0715 2007 Ford Crown Victoria	119,212 miles
C1406 2004 Mercury Grand Marquis	65,000 miles (forfeited vehicle, reserved for staff use as needed)

Please let me know if you need any additional information from my office Thank you again for all of your assistance

Respectfully,

Jack Roady
Criminal District Attorney

Felony Section Off 409 766-2355 | Family Law Section 409-766-2364 | Grand Jury Section 409-766-2379 | Worthless Check Section 409 766-2429 | Felony Victim's Asst. 409 770-5124 | Houston Line 281-316-8300

Fax 409-766-2290
www co galveston tx us
600 59TH Street, Suite 1001 • Galveston, Texas 77551-4137

THE COUNTY OF GALVESTON

RUFUS G. CROWDER, CPPO, CPPB
PURCHASING AGENT

COUNTY COURTHOUSE
722 Moody (21st Street)
Fifth (5th) Floor
GALVESTON, TEXAS 77550
(409) 770-5371

GWEN MCLAREN, CPPB
ASST PURCHASING AGENT

December 4, 2012

Honorable County Judge
And Commissioners' Court
County Courthouse
Galveston, Texas

Re: Request to Accept 2008 Chevrolet Suburban Sport Utility Vehicle

Gentlemen,

It is requested that the Commissioners' Court, as a result of a 10th Judicial District Court order with regard to Cause No 10CV2328, except into the County's vehicle fleet inventory, a 2008 Chevrolet Suburban Sport Utility Vehicle, V I N 3GNFC160X8G249628

It was further ordered that the vehicle be disposed of by the Galveston County Criminal District Attorney in accordance with the Texas Code of Criminal Procedure, Chapter 59, Article 59 06

Your consideration in this matter will be greatly appreciated

Respectfully submitted,

Rufus G Crowder, CPPO, CPPB
Purchasing Agent
County of Galveston

Attachment

/rgc

Quiroga, Erin

From	Freeze, Johnny
Sent	Monday, December 03, 2012 3 30 PM
To	Quiroga, Erin, Langford, Charles
Cc	Haynes, Brent, Smith, Zonia, Roady, Jack
Subject	Information for Agenda Item for Commissioner's Court on December 11, 2012
Attachments	2008 CHEVROLET SUBURBAN DOCUMENT 001 jpg

Erin- here is the vehicle information for placing the item on the agenda for 12-11-2012 to add this vehicle to the District Attorney fleet Thanks- JJ

Thanks
Johnny J. Freeze

JOHNNY J. FREEZE. Chief Investigator
Galveston County Criminal District Attorney's Office
600 59th Street. Suite 1001
Galveston TX 77551-4137
409-766-2371 / fax 409-765-2974
johnny.freeze@co.galveston.tx.us

2

CAUSE NO. 10CV2328

STATE OF TEXAS	§	IN THE JUDICIAL DISTRICT COURT
	§	
VS.	§	OF GALVESTON COUNTY, TEXAS
	§	
A GOLD 2008 CHEVROLET SUBURBAN	§	10TH JUDICIAL DISTRICT

FINAL JUDGMENT & ORDER

On October 1, 2012 this cause was called to trial The parties, The State of Texas, petitioner, and **TIMOTHY LITTLETON BAILEY**, respondent, appeared with counsel The parties waived trial by jury and tried this cause to the court

This is an in rem forfeiture proceeding filed by the State of Texas pursuant to Texas Code of Criminal Procedure Chapter 59 The State seeks forfeiture as contraband of a **2008 CHEVROLET SUBURBAN SPORT UTILITY VEHICLE, V.I.N. 3GNFC160X8G249628,** found in the possession of and registered to **TIMOTHY LITTLETON BAILEY** on or about **JULY 28, 2010** in Galveston County, Texas. The vehicle was impounded by Department of Public Safety peace officers following a traffic stop, on probable cause to believe that the vehicle was used or intended to be used in the commission of one or more felonies under Texas Health & Safety Code Chapters 481 and or 483

AFTER TRIAL ON THE MERITS, THE COURT FINDS by a preponderance of the evidence that the **2008 CHEVROLET SUBURBAN SPORT UTILITY VEHICLE, V.I.N 3GNFC160X8G249628,** is subject to forfeiture as contraband pursuant to Texas Code of Criminal Procedure Chapter 59

IT IS, THEREFORE, ORDERED that the **2008 CHEVROLET SUBURBAN SPORT UTILITY VEHICLE, V.I.N. 3GNFC160X8G249628,** is forfeited to the State of Texas to be disposed of by the Galveston County Criminal District Attorney in accordance with Article 59 06 and any applicable local agreements

IT IS FURTHER ORDERED pursuant to Texas Code of Criminal Procedure Art 59 06(e)-(f), that the Texas Department of Transportation, Motor Vehicle Division, and all other appropriate state agencies, shall issue good and sufficient title to the **2008 CHEVROLET SUBURBAN SPORT UTILITY VEHICLE, V.I.N. 3GNFC160X8G249628**, effective **JULY 28, 2010**, such as will perfect title in the **GALVESTON COUNTY CRIMINAL DISTRICT ATTORNEY'S OFFICE** and any subsequent purchaser from said office

THIS JUDGMENT IS FINAL AND DISPOSES OF ALL CLAIMS AND PARTIES

Signed this 8 day of October, 2012

JUDGE PRESIDING

AGREED IN FORM AND SUBSTANCE:

BRENT HAYNES
ASST. CRIMINAL DISTRICT ATTORNEY
Galveston County Criminal
District Attorney's Office

AGREED IN FORM ONLY:

DAVID WALKER
ATTORNEY FOR RESPONDENT,
TIMOTHY LITTLETON BAILEY

* Art. 59.06 DISPOSITION OF FORFEITED PROPERTY. (a) Except as provided by Subsection (k), all forfeited property shall be administered by the attorney representing the state, acting as the agent of the state, in accordance with accepted accounting practices and with the provisions of any local agreement entered into between the attorney representing the state and law enforcement agencies If a local agreement has not been executed, the property shall be sold on the 75th day after the date of the final judgment of forfeiture at public auction under the direction of the county sheriff, after notice of public auction as provided by law for other sheriff's sales. The proceeds of the sale shall be distributed as follows:

(1) to any interest holder to the extent of the interest holder's nonforfeitable interest;

(2) after any distributions under Subdivision (1), if the Title IV-D agency has filed a child support lien in the forfeiture proceeding, to the Title IV-D agency in an amount not to exceed the amount of child support arrearages identified in the lien, and

(3) the balance, if any, after the deduction of court costs to which a district court clerk is entitled under Article 59.05(f) and, after that deduction, the deduction of storage and disposal costs, to be deposited not later than the 30th day after the date of the sale in the state treasury to the credit of the general revenue fund.

* (b) If a local agreement exists between the attorney representing the state and law enforcement agencies, the attorney representing the state may transfer the property to law enforcement agencies to maintain, repair, use, and operate the property for official purposes if the property is free of any interest of an interest holder. The agency receiving the forfeited property may purchase the interest of an interest holder so that the property can be released for use by the agency. The agency receiving the forfeited property may maintain, repair, use, and operate the property with money appropriated for current operations If the property is a motor vehicle subject to registration under the motor vehicle registration laws of this state, the agency receiving the forfeited vehicle is considered to be the purchaser and the certificate of title shall issue to the agency. A law enforcement agency to which property is transferred under this subsection at any time may transfer or loan the property to any other municipal or county agency, a groundwater conservation district governed by Chapter 36, Water Code, or a school district for the use of that agency or district A municipal or county agency, a groundwater conservation district, or a school district to which a law enforcement agency loans a motor vehicle under this subsection shall maintain any automobile insurance coverage for the vehicle that is required by law.

(b-1) If a loan is made by a sheriff's office or by a municipal police department, the commissioners court of the county in which the sheriff has jurisdiction or the governing body of the municipality in which the department has jurisdiction, as applicable, may revoke the loan at any time by notifying the receiving agency or district, by mail, that the receiving agency or district must return the loaned vehicle to the loaning agency before the seventh day after

OMNIBANK, N A
4328 OLD SPANISH TRAIL HOUSTON TEXAS 77021 1694
P O BOX 14549 HOUSTON TEXAS 77221 4549 (713) 747 9000

November 14, 2012

County of Galveston
District Attorney's Office
600 59th St , Suite 1001
Galveston, TX 77551-4137

Atten Johnny J Freeze – Chief Investigator

Re Timothy L Bailey – 2008 Chevrolet VIN 3GNFC160X8G249628

Dear Mr Freeze

Per our discussion, the payoff as of December 3, 2012 regarding the above account is $ 5,625 27

Should you have questions, please contact me at (713) 749-0612

Sincerely,

Scott Kerr

Scott Kerr
Executive Vice President

REPLACEMENT RECEIPT

IMPORTANT DOCUMENT Please retain for your records

PEEL FROM BACK ONLY DESPEGAR POR DETRAS

BZ97290
95538246

11 13

GALVESTON 8G249628

WINDSHIELD STICKER / CALCOMANIA DE PARABRISAS

OR

Peel sticker from any corner
Despegar de cualquier esquina

95538246
VOID
DO NOT USE/
NO USE

PLATE STICKER / CALCOMANIA DE PLACA

AGENDA ITEM #29a

GALVESTON COUNTY, TEXAS
COMMISSIONERS COURT
Contract Approval Request

Date of Request	11/26/12	Department	Road + Bridge				
Renewal Contract	NO	Orgkey		Object Code			
Contract Start Date	1/1/13	Vendor	City of Hitchcock				
Contract End Date	9/30/13	Vendor No	033027	Contract No	CM13066		
Description	Inter-local Agreement with City of Hitchcock for road work - Pecanwood St						
Contract # Issued By Purchasing		CM13066	Requested Legal Review		Yes ___ No		
Fund Name	Fund #	FY12 $ Budget	FY12 $ Request	FY13 $ Request	FY14 $ Request	FY15 $ Request	FY15 $ Request
N/A							
Totals							
Total Cost							

Approved By	Date	Signature
Department Head	11/26/12	
Purchasing Agent	11-26-12	
County Legal		

Contract listed in Budget Documentation (Yes/No)

County Budget Office	11/29/12	

Form Number

The County of Galveston
ROAD & BRIDGE DEPARTMENT
5115 Highway 3
Dickinson, Texas 77539

Layne Harding
Road Administrator

Office 281/534-4152
Facsimile 409/765-3247

MEMORANDUM

Date: November 26, 2012

To Patricia Grady
Legal Liaison

From Layne Harding LH
Road Administrator

Re **Inter-local Agreement – City of Hitchcock**

Please find attached an Inter-local Agreement between the County of Galveston and the City of Hitchcock for the County Road & Bridge Department to perform road work on Pecanwood St in Hitchcock The original Agreement has been signed by Anthony Matranga, Mayor of the City of Hitchcock, and will be delivered to your office I am requesting this item be submitted to the Commissioners' Court on the next agenda for approval

If additional information is needed, please contact me at 409/789-2217

Enclosures Interlocal Agreement
Exhibit A

The State of Texas

County of Galveston

This Interlocal Cooperation Act Agreement is between the **County of Galveston** ("County"), and the **City of Hitchcock** ("Requesting Agency") a political subdivision of the State of Texas

Requesting Agency is in need of having work performed by the County Road Department on various roads, parking lots and similar public works belonging to it located within its jurisdictional limits ("Project") The work to be performed is specified in Exhibit "A" Each separate road, parking lot, or similar public work will be a segment of the Project.

County is willing to perform the work upon the terms and conditions stated in this Agreement.

Requesting Agency has specified the work to be done and the materials to be used on the Project

Now, Therefore, for and in consideration of the mutual covenants herein expressed, it is agreed as follows

County agrees to furnish labor and equipment for the Project at the costs set forth in Exhibit "A" Such labor and equipment will be available only at such times and for such periods of time as they are not needed for the maintenance of County roads or the performance of other County functions or obligations

County will provide supervisory personnel to direct its operations

County has no obligation to provide or furnish Requesting Agency with any materials, supplies or any other item necessary or desirable for the performance of the Project other than the labor and equipment specified

County's determination of the times and periods of time that its personnel and equipment are needed for other duties and times and the periods of time that its personnel and equipment are available for use on the Project is final

Requesting Agency will monitor County's work on each segment of the Project, point out any deficiency, if any, and request correction of such deficiency prior to County's completion of work on the applicable segment County will make such corrections as are reasonably requested. County will not be responsible for any deficiency that is not noted and requested corrected by Requesting Agency prior to completion of its work on the segment.

Requesting Agency will specify and supply, at its expense, all materials required by County on the Project. County will accept delivery of the materials for Requesting Agency The materials will be delivered in such a manner and at such times as to minimize County's inconvenience and delay

Upon completion of each segment of the Project under construction, County's duties regarding such segment shall end Requesting Agency will immediately issue a check to County in the amount specified for the completed segment Requesting Agency will be responsible for all future maintenance of each segment of the Project as may be needed or required

No provision of this Agreement shall be construed to impose, create or increase any liability to any third party whatsoever This Agreement shall not be construed to operate for the benefit of any third party

The County will not be responsible for damages to property or for injuries to persons driving upon or otherwise using or occupying any part of the Project The County will not be responsible for damages to property or injuries to persons that may arise from or be incident to the design, construction, maintenance and use of any such part of the Project. Rather, as between the County and Requesting Agency the Requesting Agency shall be so responsible

This Agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understanding or written or oral agreement between the parties representing the within subject matter

County will approve the Project by execution of this Agreement and by a Commissioners' Court Order as required by §791 014 of the Government Code

Both parties agree.

1 each party to the contract has authorized the contract,

2 each party to the contract is paying for the performance of the contract from current revenues,

3 each party is paying fair compensation for the services or products rendered, and

4 each party to the contract is authorized by law to perform the functions or services to be performed under the contract

The rest of this page has intentionally been left blank

Executed this 11th day of December, 2012.

County of Galveston

Attest:

Dwight D. Sullivan

Dwight Sullivan
County Clerk

By: Mark Henry

Mark Henry
County Judge

CITY OF HITCHCOCK TEXAS

Attest:

Rose Mary Shetler

Secretary

By: Anthony Matranga

Anthony Matranga,
Mayor, City of Hitchcock

Pecanwood St. **Hitchcock** **Estimate - Exhibit A** 10/31/2012
Length 1,240'
Width 24'

Labor: Paving Work

Qty		Unit Cost	Seal Coat	Asphalt patch	Overlay		Total Cost
1	Manager	$ 29 75		16			$ 476 00
1	PWS	$ 24 41		16			$ 390 60
3	HEO III	$ 18 61		16			$ 893 40
2	HEO II	$ 16 86		16			$ 539 60
	HEO I						
					Sub-total		$ 2,299 60

Labor: Base Work

Qty		Unit Cost	Base Repair		Reconstruct Base		Total Cost
1	Manager	$ 29 75			80		$ 2,380 00
1	PWS	$ 24 41			80		$ 1,953 00
3	HEO III	$ 18 61			80		$ 4,467 00
2	HEO II	$ 16 86			80		$ 2,698 00
	HEO I						
					Sub-total		$ 11,498 00

Equipment:

Asphalt Equipment

1	Distributor	$ 25 00		16			$ 400 00
	Chip Spreader	$ 66 00					$ -
1	Paver	$ 150 00		16			$ 2,400 00
	Loader	$ 47 00					$ -
1	Pnu - Roller	$ 33 00		16			$ 528 00
2	Steel Roller	$ 28 00		16			$ 896 00
1	Water Truck	$ 38 00		16			$ 608 00
1	Broom	$ 20 50		16			$ 328 00
	Dump Truck	$ 43 00					$ -
							$ 5,160 00
					Discount		0 25
					Sub-total		$ 1,290 00

Base Equipment

1	Loader	$ 47 00			80		$ 3,760 00
1	TEX425C	$205 00			80		$ 16,400 00
	Gradall	$ 85 00					$ -
1	Pnu - Roller	$ 33 00			80		$ 2,640 00
1	Steel Roller	$ 28 00			80		$ 2,240 00
1	Water Truck	$ 38 00			80		$ 3,040 00
2	Pad Wheel Rollers	$ 28 00			80		$ 4,480 00
	Maintainer 12'	$ 55 00					$ -
1	Maintainer 10'	$ 40 00			80		$ 3,200 00
	Dump Truck	$ 43 00					$ -
							$ 35,760 00
					Discount		0 25
					Sub-total		$ 8,940 00

Materials:

300	CS 9% Cr Concrete	26 66					$ 7,998 00
400	HMAC	51 25					$ 20,500 00
6500	SS-1	2 10					$ 13,650 00
500	CRS-2	2 15					$ 1,075 00
							$ -
					Sub-total		$ 43,223 00

Total **$ 67,250.60**

AGENDA ITEM #30a

Mark Henry

County Judge
County of Galveston

Galveston County Courthouse
722 Moody Avenue, Galveston, Texas 77550

Patricia Grady
Legal Liaison

Roxann Lewis
Executive Assistant

November 15, 2012

David Kent
16011 Peach Bough
Houston, Texas 77095

Re *Request to Tax Assessor and Collector for refund/waiver of penalty and interest charges on Account No 5864-0005-0004-000*

Dear David Kent

Our office has received your request on the above referenced matter Your request will be brought before the Commissioners Court of Galveston If you wish to address the Commissioners on this matter, you must appear and sign in with the County Clerk prior to the start of the meeting

Your request will be placed on the Commissioners Court agenda for December 11, 2012 Court begins at 9 30 a m at the Galveston County Courthouse located at 722 Moody, 1st floor, Galveston, Texas

Please get there early to sign in with the County Clerk so that you may address Commissioners Court Please feel free to contact our office should you have any questions

Thank you in advance for your cooperation in this matter

Sincerely,

Mark Henry

MH/dgm

409-766-2244 • 281-316-8300 Ext 2244 • Fax 409-765-2915

Cheryl E. Johnson, RTA

Assessor and Collector of Taxes
Galveston County
Galveston County Courthouse
722 Moody Avenue, Galveston, Texas 77550
Toll Free 877-766-2284 Fax 409-766-2479 Office 409-765-3277
Cheryl E Johnson@co galveston tx us

October 16, 2012

Mark Henry
Galveston County Judge
722 Moody
Galveston, Texas 77550

RE Request for refund of penalty & interest
5867-0005-0004-000
David Kent

Dear Judge Henry

According to the Texas Property Tax Code Section 31 01 (g) " failure to send or receive the tax bill required by this section does not affect the validity of the tax, penalty, or interest, the due date, the existence of a tax lien, or any procedure instituted to collect a tax "

Mr Kent states that he purchased the property in question last year and the statement was never sent to him The Galveston County Tax Office sent his statement to the address of record This information was provided by the warranty deed that was filed at the time of sale

Account No	Year	Refund
5864-0005-0004-000	2011	$3,135 53

Sincerely,

Cheryl E. Johnson

Cheryl E Johnson

RECEIVED
SEP 26 2012
GALVESTON COUNTY JUDGE

Sept 24, 2012

DAVID KENT
16011 PEACH BOUGH CT
HOUSTON TX 77095
281 463 1375

COMMISSIONERS COURT
722 MOODY
GALVESTON TX 77550

Dear Sir,

RE ABST 121 Page 40 Lot 4 Blk 5 Pirates Cove Sec 3
3509 Petite Circle

We purchased the referenced property last year. You recorded our address incorrectly. As a result we never received a tax invoice or notices.

I respectfully request that you rebate the penalties, Interest and Collection fees.

Sincerely
David W Kent
DAVID W KENT

2011045865

4 PGS

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS.

COUNTY OF GALVESTON

That Peter J. Kent, Sr., Cecile R Kent, Philip J. Lee and Cynthia K Lee ("Grantors"), for Ten Dollars ($10 00) and other good and valuable consideration from Grantees hereinafter named, the receipt and sufficiency of which is acknowledged, have granted, sold and conveyed and by this instrument do hereby grant, sell and convey the property described below, together with all improvements thereon (hereinafter the "Property"), to David W. Kent, Sr and Beverly A. Kent ("Grantees"):

> The surface only of Lot 4 (Four), in Block 5 (Five), of Pirates' Cove, Section 3, a subdivision out of Lots 50, 51, 54, 55, 62, 63, 64, 65, 72 and 73, in Section Three (3) of the Trimble & Lindsey Survey of Galveston Island in Galveston County, Texas, according to the map or plat thereof recorded in Volume 1616, Page 158 and later transferred to Plat Record 8, Map No 4, in the office of the County Clerk of Galveston County, Texas.

This deed is made by Grantors and accepted by Grantees subject to the valid and subsisting exceptions set forth on Exhibit A.

TO HAVE AND TO HOLD the Property, subject to the aforesaid exceptions, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Grantees, their heirs, personal representatives and assigns forever; and Grantors do hereby bind said estate and said trusts to the extent that Grantors may lawfully do so, to WARRANT and FOREVER DEFEND the Property as described above (subject to the exceptions set forth above) unto Grantees, their heirs, personal representatives and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof

Grantees accept the Property in its "AS IS" condition. Grantees acknowledge that they are not relying upon any warranty, representation, statement or other assertion with respect to the condition of the Property, but are relying upon their examination of the Property.

For the same consideration as for the sale of the Property, Grantors hereby quitclaim to Grantees all of Grantors' right, title and interest in and to any and all oil, gas and other minerals in or under the Property.

Current taxes and maintenance charges have been prorated and payment thereof is assumed by Grantees.

The address of Grantees is 3509 Petite Circle, Galveston, Texas 77554

IN WITNESS WHEREOF, Grantors have signed and duly acknowledged this instrument on this Sept. 7th day of , 2011.

Peter J Kent Sr.
Peter J. Kent, Sr.

Cecile R. Kent
Cecile R. Kent

Philip J Lee

Cynthia K. Lee
Cynthia K. Lee

STATE OF TEXAS

COUNTY OF Galveston

This instrument was acknowledged before me this 7th day of September 2011, by Peter J. Kent, Sr.

RACHELL SMITH MCDANIEL
MY COMMISSION EXPIRES
January 18, 2012

Rachell Smith McDaniel
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF Galveston

This instrument was acknowledged before me this 7th day of September 2011, by Cecile R. Kent.

RACHELL SMITH MCDANIEL
MY COMMISSION EXPIRES
January 18, 2012

Rachell Smith McDaniel
Notary Public in and for the State of Texas

STATE OF ~~TEXAS~~ Nebraska

COUNTY OF Douglas

This instrument was acknowledged before me this 2nd day of September 2011, by Philip J. Lee

GENERAL NOTARY - State of Nebraska
SARA J. HATCH
My Comm. Exp. March 2, 2014

Sara J. Hatch
Notary Public in and for the State of ~~Texas~~ Nebraska

STATE OF ~~TEXAS~~ Nebraska

COUNTY OF Douglas

This instrument was acknowledged before me this 2nd day of September, 2011, by Cynthia K. Lee

GENERAL NOTARY - State of Nebraska
SARA J. HATCH
My Comm. Exp. March 2, 2014

Sara J. Hatch
Notary Public in and for the State of ~~Texas~~ Nebraska

After Recording Return to:
David E. Cowen
McLeod, Alexander, Powel & Apffel, P.C.
P.O. Box 629
Galveston, Texas 77553

EXHIBIT A

<u>Exceptions</u>

1. All reservations, exceptions, rights-of-way, easements, covenants, conditions, restrictions and neighborhood association assessments and liens affecting the title to the Property or the use thereof and of record in Galveston County, Texas

2. Outstanding oil, gas and other mineral interests, oil, gas and other mineral leases and related instruments.

3. Any titles or rights asserted by anyone, including, but not limited to, persons, the public, corporations, governments or other entities, (a) to tidelands, or lands comprising the shores or beds of navigable or perennial rivers and streams, lakes, bays, gulfs or oceans, or (b) to lands beyond the line of harbor or bulkhead lines as established or changed by any government, or (c) to filled-in lands, or artificial islands, or (d) to statutory water rights, including riparian rights, or (e) to the area extending from the line of mean low tide to the line of vegetation, or the rights of access to that area or easement along and across that area.

4. Existing building and zoning ordinances

5. Part of the rear of the house encroaches into the Building Line in the rear, as evidenced by survey dated June 28, 2010, prepared by Stephen C Blaskey, Registered Professional Land Surveyor No. 5856

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

2011045865

September 07, 2011 03 41 55 PM

FEE $28 00

Dwight D Sullivan, County Clerk

Galveston County, TEXAS

View Note

OCT 2011 NAO - STMT BATCH 2011 STMT KENT BEVERLY A, 3509 PETITE CIR, GALVESTON, TX 77554, AMT DUE $8,251 40

Print Window

Close Window

NOTES -- Account No. 586700050004000

CRIDER_R
ACTNOTES v1 9

10/16/2012 16 34 47
GCTO_PROD

Account Number 586700050004000

Seq No.	Entry Date	Operator ID	Note	Msg	Expire Date
27387672	05/17/2012	LEMONS_E	APRIL 2012 NAO STMT BATCH 2011 STMT KENT DAVID W SR & BEVEI	CSTM	
[illegible]	[illegible]	LEMONS_E	APRIL 2012 NAO STMT BATCH 2011 STMT KENT DAVID W SR & BEVE	CSTM	
27349456	05/16/2012	SUPP	APRIL 2012 NAO		
27347185	05/16/2012	REPORT_MAN	NAME INFORMATION CHANGED, PROCESS = NC04, YEAR = 2011		
25651708	11/18/2011	BATCH_REQU	2011 STATEMENT RETURNED - UNDELIVERABLE		01/01/2020
25225514	11/04/2011	LEMONS_E	OCT 2011 NAO - STMT BATCH 2011 STMT KENT BEVERLY A, 3509 PE	CSTM	
25222437	11/04/2011	SUPP	OCT 2011 NAO		
25220831	11/04/2011	REPORT_MAN	NAME INFORMATION CHANGED, PROCESS = NC10, YEAR = 2011		

Save | Add | Delete | View Note | Print Window | Close Window